# Issuer Filing Information

# UBS Group AG

ISSUER FILING INFORMATION

| | |
|---|---|
| Type of Information: | Issuer Filing Information |
| Date of Announcement (DD/MM/YY) | 18 March 2022 |
| Issuer Name: | UBS Group AG |
| Name and Title of Representative: | Antonio Boné, Authorized Signatory |
| Address of Head Office: | Bahnhofstrasse 45, 8001 Zürich, Switzerland |
| Telephone: | +41 44 239 26 55 |
| Contact Person: | Antonio Boné; telephone +41 44 239 26 55<br>Karin Mueller; telephone +44 20756 88118 |
| Matters related to Financial Instruments Exchange Market, etc.: | Not Applicable |
| Address of Website for Announcement: | https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html |

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Issuer Filing Information.

2. Where this Issuer Filing Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Issuer Filing Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the FIEA (a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced this Issuer Filing Information shall be liable to compensate persons who acquired or disposed of the securities for any damage or loss arising from the false statement or lack of information in accordance with Article 22 of the FIEA applied mutatis mutandis in Article 27-34 of the FIEA). However, this shall not apply to cases where the person who acquired or disposed of, as applicable, the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition or disposal of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.

4. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of the Issuer Filing Information (including, but not limited to, whether the Issuer Filing Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss including that described above.

5. All prospective investors who consider purchasing the notes of UBS Group AG (the "**Issuer**") issued or to be issued under the Program Information dated 20 April 2021 (as amended and/or supplemented, the "**Program Information**") (the "**Notes**") should read the Program Information and relevant Specified Securities Information before making an investment decision. Among other things, all prospective investors should be aware that the Notes are subject to certain selling restriction as set forth in the Program Information and the relevant Specified

Securities Information.

6. This Issuer Filing Information shall constitute and form the Issuer Filing Information (as defined in Article 27-32, Paragraph 1 of the FIEA) that consists of information prescribed in Article 7, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc.

7. The Issuer Filing Information consists of the attached documents as set out below:

   (a) UBS Group AG's and UBS AG's annual report for the year ended 31 December 2021 filed on Form 20-F with the United States Securities and Exchange Commission (the "**SEC**") on 07 March 2022.

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**
# FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

# UBS Group AG
**Commission file number: 1-36764**
# UBS AG
**Commission file number: 1-15060**

(Exact Name of Registrants as Specified in Their Respective Charters)

**Switzerland**

(Jurisdiction of Incorporation or Organization)

**UBS Group AG**
**Bahnhofstrasse 45, CH-8001 Zurich, Switzerland**
(Address of Principal Executive Office)

**UBS AG**
**Bahnhofstrasse 45, CH-8001 Zurich, Switzerland and Aeschenvorstadt 1, CH-4051 Basel, Switzerland**
(Address of Principal Executive Offices)

David Kelly
600 Washington Boulevard
Stamford, CT 06901
Telephone: (203) 719 3000
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
Please see page 3.
Securities registered or to be registered pursuant to Section 12(g) of the Act:
Please see page 3.
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
Please see page 3.

Indicate the number of outstanding shares of each of each issuer's classes of capital or common stock as of 31 December 2021:

| **UBS Group AG** | **UBS AG** |
|---|---|
| Ordinary shares, par value CHF 0.10 per share: | Ordinary shares, par value CHF 0.10 per share: |
| 3,702,422,995 ordinary shares | 3,858,408,466 ordinary shares |
| (including 302,815,328 treasury shares) | (none of which are treasury shares) |

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

| **UBS Group AG** | **UBS AG** |
|---|---|
| Yes ☐ No ☑ | Yes ☐ No ☑ |

If this report is an annual or transition report, indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☑

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or an emerging growth company. See definition of "accelerated filer and large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

**UBS Group AG**

| | | |
|---|---|---|
| Large accelerated filer ☑ | Accelerated filer ☐ | Non-accelerated filer ☐ |
| | | Emerging growth company ☐ |

**UBS AG**

| | | |
|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☑ |
| | | Emerging growth company ☐ |

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

| **UBS Group AG** | **UBS AG** |
|---|---|
| Yes ☑ No ☐ | Yes ☑ No ☐ |

Indicate by check mark which basis of accounting the registrants have used to prepare the financial statements included in this filing.

| | | |
|---|---|---|
| U.S. GAAP ☐ | International Financial Reporting Standards as issued by the International Accounting Standards Board ☑ | Other ☐ |

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrants have elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☑

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

**UBS Group AG**

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Ordinary Shares (par value of CHF 0.10 each) | UBS | New York Stock Exchange |

**UBS AG**

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| ETRACS Alerian Midstream Energy Index ETN due June 21, 2050 | AMNA | NYSE Arca |
| ETRACS Alerian Midstream Energy High Dividend Index ETN due July 19, 2050 | AMND | NYSE Arca |
| ETRACS Alerian Midstream Energy Total Return Index ETN due October 20, 2050 | AMTR | NYSE Arca |
| ETRACS Alerian MLP Index ETN Series B due July 18, 2042 | AMUB | NYSE Arca |
| ETRACS Quarterly Pay 1.5x Leveraged MVIS BDC Index ETN due June 10, 2050 | BDCX | NYSE Arca |
| E-TRACS MVIS Business Development Companies Index ETN due April 26, 2041 | BDCZ | NYSE Arca |
| ETRACS Monthly Pay 1.5x Leveraged Closed-End Fund Index ETN due June 10, 2050 | CEFD | NYSE Arca |
| E-TRACS Bloomberg Commodity Index Total Return Series B due October 31, 2039 | DJCB | NYSE Arca |
| ETRACS 2x Leveraged MSCI USA ESG Focus TR ETN due September 15, 2061 | ESUS | NYSE Arca |
| UBS AG FI Enhanced Large Cap Growth ETN due June 19, 2024 | FBGX | NYSE Arca |
| ETRACS 2x Leveraged IFED Invest with the Fed TR Index ETN due September 15, 2061 | FEDL | NYSE Arca |
| UBS AG FI Enhanced Europe 50 ETN due February 12, 2026 | FIEE | NYSE Arca |
| UBS AG FI Enhanced Global High Yield ETN due March 3, 2026 | FIHD | NYSE Arca |
| ETRACS Monthly Pay 2xLeveraged US High Dividend Low Volatility ETN Series B due October 21, 2049 | HDLB | NYSE Arca |
| ETRACS IFED Invest with the Fed TR Index ETN due September 15, 2061 | IFED | NYSE Arca |
| ETRACS 2x Leveraged US Value Factor TR ETN due February 9, 2051 | IWDL | NYSE Arca |
| ETRACS 2x Leveraged US Growth Factor TR ETN due February 9, 2051 | IWFL | NYSE Arca |
| ETRACS 2x Leveraged US Size Factor TR ETN due February 9, 2051 | IWML | NYSE Arca |
| E-TRACS Alerian MLP Infrastructure Index Series B due April 2, 2040 | MLPB | NYSE Arca |
| ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN due June 10, 2050 | MLPR | NYSE Arca |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN due February 9, 2051 | MTUL | NYSE Arca |
| ETRACS Monthly Pay 1.5x Leveraged Mortgage REIT ETN due June 10, 2050 | MVRL | NYSE Arca |
| ETRACS Monthly Pay 2xLeveraged Preferred Stock ETN due September 25, 2048 | PFFL | NYSE Arca |
| ETRACS Linked to the NYSE® Pickens Core Midstream Index due August 20, 2048 | PYPE | NYSE Arca |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN due February 9, 2051 | QULL | NYSE Arca |
| ETRACS 2x Leveraged US Dividend Factor TR ETN due February 9, 2051 | SCDL | NYSE Arca |
| ETRACS Monthly Pay 2xLeveraged US Small Cap High Dividend ETN Series B due November 10, 2048 | SMHB | NYSE Arca |
| E-TRACS CMCI Total Return ETN Series B due April 5, 2038 | UCIB | NYSE Arca |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN due February 9, 2051 | USML | NYSE Arca |

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**
None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**
None

**Cautionary Statement:** Refer to the *Cautionary Statement Regarding Forward-Looking Statements* section in the Annual Report 2021 (page 586).

**Cross-reference table**

Set forth below are the respective items of SEC Form 20-F, and the locations in this document where the corresponding information can be found.

- **Annual Report** refers to the Annual Report 2021 of UBS Group AG and UBS AG annexed hereto, which forms an integral part hereof.
- **Supplement** refers to certain supplemental information contained in this forepart of the Form 20-F, starting on page 10 following the cross-reference table.
- **Financial Statements** refers to the consolidated financial statements of either UBS Group AG or UBS AG, or both, depending upon the context, contained in the Annual Report.

In the cross-reference table below, page numbers refer to either the Annual Report or the Supplement, as noted.

Please see page 9 of the Annual Report for definitions of terms used in this Form 20-F relating to UBS.

| Form 20-F item | Response or location in this filing |
|---|---|
| | |
| **Item 1**. Identity of Directors, Senior Management and Advisors. | Not applicable. |
| **Item 2**. Offer Statistics and Expected Timetable. | Not applicable. |
| **Item 3.** Key Information | |
| B – Capitalization and Indebtedness. | Not applicable. |
| C – Reasons for the Offer and Use of Proceeds. | Not applicable. |
| D – Risk Factors. | Annual Report, *Risk factors* (63-73). |
| **Item 4**. Information on the Company. | |
| A – History and Development of the Company | 1-3: Annual Report, *Corporate information* and *Contacts* (6). The registrants' agent is David Kelly, 600 Washington Boulevard, Stamford, CT 06901.<br>4: Annual Report, *Our evolution* (14); *Our strategy* (16-19); *Our businesses* (21-32); Note 30 to each set of Financial Statements (*Changes in organization and acquisitions and disposals of subsidiaries and businesses*) (396 and 528)<br>5-6: Refer to our management discussion and analysis for a description of material acquisitions and divestitures in Annual Report, *Our businesses* (21-32), as applicable, Note 12 to each set of Financial Statements (*Property, equipment and software)* (324 and 455) and Note 30 to each set of Financial Statements (*Changes in organization and acquisitions and disposals of subsidiaries and businesses*) (396 and 528).<br>7: Nothing to disclose.<br>8: Annual Report, *Information sources* (585). |
| B – Business Overview. | 1, 2 and 5: Annual Report, *Our strategy, business model and environment* (16-73), Note 2a to each set of Financial Statements (*Segment reporting)* (308-309 and 439-440) and Note 2b to each set of Financial Statements (*Segment reporting by geographic location)* (310 and 441). See also Supplement (10).<br>3: Annual Report, *Seasonal characteristics* (82).<br>4: Not applicable.<br>6: None.<br>7: Information as to the basis for these statements normally accompanies the statements, except where marked in the report as a statement based upon publicly available information or internal estimates, as applicable. Annual Report, *Our businesses* (21-32), as applicable.<br>8: Annual Report, *Regulation and supervision* (56-58) and *Regulatory and legal developments* (59-62).<br>Supplement (11). |

| | |
|---|---|
| C – Organizational Structure. | Annual Report, *Our evolution* (14) and Note 29 to each set of Financial Statements (*Interests in subsidiaries and other entities)* (391-395 and 523-527). |
| D – Property, Plant and Equipment. | Annual Report, *Property, plant and equipment* (558 and 570), Note 1, 7) to each set of Financial Statements (*Summary of material accounting policies: Property, equipment and software*) (305 and 436), Note 12 to each set of Financial Statements (*Property, equipment and software)* (324 and 455). |
| Information required by SEC Regulation S-K Part 1400 | Annual Report, *Information required under SEC regulation S-K: Subpart 1400* (559-564 and 571-577), *Loss history statistics* (130), and Note 9 to each set of Financial Statements (*Financial Statements at amortized cost and other positions in scope of expected credit loss measurement)* (317-321 and 448-452). |
| **Item 4A**. Unresolved Staff Comments. | None. |
| **Item 5**. Operating and Financial Review and Prospects. | |
| A – Operating Results. | 1: Annual Report, *Our key figures* (8), *UBS AG consolidated key figures* (404), *Targets, aspirations and capital guidance* (20), *Our businesses* (21-32), *Group performance* (77-83), financial and operating performance by business division and Group Functions (84-95), Note 2a to each set of Financial Statements (*Segment reporting)* (308-309 and 439-440), and *Selected financial data* (554-557 and 566-569).<br>2: Not applicable<br>3: Annual Report, *Risk factors* (63-73), *Capital management* (151-168), *Currency Management* (182) and Note 26 to each set of Financial Statements (*Hedge Accounting)* (373-376 and 505-508).<br>4: Annual Report, *Our environment* (33-37), *Regulation and supervision* (56-58), *Regulatory and legal developments* (59-62), *Accounting and financial reporting* (76), Note 1b to each set of Financial Statements (*Changes in accounting policies, comparability and other adjustments*) (307 and 438).<br><br>A discussion on the results for the year 2020 compared with 2019 can be found on UBS annual report 2020 filed with the SEC in Form 20-F on March 5, 2021, under *Financial and operating performance* and under *Financial statements* of UBS Group AG and UBS AG. |
| B – Liquidity and Capital Resources. | 1: Annual Report, *Risk factors* (63-73), *Group performance* (77-83), financial and operating performance by business division and Group Functions (84-95), *Seasonal characteristics* (82), *Interest rate risk in the banking book* (135-138), *Capital, liquidity and funding, and balance sheet* (150-185), *Asset encumbrance* (174), Note 23 to each set of Financial Statements (*Restricted and transferred financial assets)* (366-368 and 498-500) and Note 29(b) to each set of Financial Statements (*Interests in associates and joint ventures*) (393 and 525).<br>2: Annual Report, *Capital, liquidity and funding, and balance sheet* (150-185), *Currency Management* (182), Note 10 to each set of Financial Statements (*Derivative instruments)* (322-323 and 453-454), Note 11 to each set of Financial Statements (*Financial assets measured at fair value through other comprehensive income*) (324 and 455), Note 15 to each set of Financial Statements (*Amounts due to banks and customer deposits,* and *Amounts due to banks, customer deposits, and funding from UBS Group AG*, respectively*)* (327 and 458), Note 16 to each set of Financial Statements (*Debt issued designated at fair value)* (328 and 459), Note 17 to each set of Financial Statements (*Debt issued measured at amortized cost*) (329 and 460), and Note 26 to each set of Financial Statements (*Hedge Accounting*) (373-376 and 505-508).<br>3: Annual Report, *Material cash requirements* (180), *Liquidity and funding management* (169-172), Note 24 to each set of Financial Statements (*Maturity analysis of financial liabilities*) (369 and 501), and Note 12 to each set of Financial Statements (*Property, equipment and software)* (324 and 455).<br><br>Liquidity and capital management is undertaken at UBS as an integrated asset and liability management function. While we believe our 'working capital' is sufficient for the company's present requirements, it is our opinion that, as a bank, our liquidity coverage ratio (LCR) is the more relevant measure. For more information see, Annual Report, *Liquidity coverage ratio* (171). |

<table>
<tr><td>C—Research and Development, Patents and Licenses, etc.</td><td>Not applicable.</td></tr>
<tr><td>D—Trend Information.</td><td>Annual Report, Our businesses (21-32), Our environment (33-37), Regulatory and legal developments (59-62), Risk factors (63-73), Financial and operating performance (76-95) and Top and emerging risks (102).</td></tr>
<tr><td>E—Critical Accounting Estimates</td><td>Not applicable.</td></tr>
<tr><td colspan="2">Item 6. Directors, Senior Management and Employees.</td></tr>
<tr><td>A – Directors and Senior Management.</td><td>1, 2 and 3: Annual Report, Board of Directors (199-215) and Group Executive Board (216-222).<br>4, 5: None.</td></tr>
<tr><td>B – Compensation.</td><td>1: Annual Report, Compensation (227-272), Note 1a, 4) to each set of Financial Statements (Share-based and other deferred compensation plans) (303 and 434), Note 28 to each set of Financial Statements (Employee benefits: variable compensation) (387-390 and 519-522) and Note 31 to each set of Financial Statements (Related parties) (397-398 and 529-531).<br>2: Annual Report, Compensation (227-272), Note 27 to each set of Financial Statements (Post-employment benefit plans) (377-386 and 509-518).</td></tr>
<tr><td>C – Board practices.</td><td>1: Annual Report, Board of Directors (199-215). The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting. The next Annual General Meeting is scheduled on 6 April 2022.<br>2: Annual Report, Compensation (227-272), Clauses on change of control (223), and Note 31 to each set of Financial Statements (Related parties) (397-398 and 529-531).<br>3: Annual Report, Audit Committee (209) and Compensation Committee (210).<br>Refer to the Supplement (15) for information on UBS AG's Board of Directors' executive sessions.</td></tr>
<tr><td>D—Employees.</td><td>Annual Report, Employees (44-46), and Selected financial data (554-557 and 566-569).<br><br>During 2021, business-aligned operations were moved from Group Functions into the respective business divisions, resulting in a shift of personnel from Group Functions to the business divisions. Comparative figures have been restated accordingly for both UBS Group AG and UBS AG on the tables below.<br><br>UBS group AG (consolidated) personnel by business division and Group Functions:
<table>
<tr><th></th><th></th><th>As of</th><th></th></tr>
<tr><th>Full-time equivalents</th><th>31.12.21</th><th>31.12.20</th><th>31.12.19</th></tr>
<tr><td>Personnel (full-time equivalents)</td><td>71,385</td><td>71,551</td><td>68,601</td></tr>
<tr><td>Global Wealth Management</td><td>24,093</td><td>24,200</td><td>25,067</td></tr>
<tr><td>Personal & Corporate Banking</td><td>5,791</td><td>6,021</td><td>6,022</td></tr>
<tr><td>Asset Management</td><td>2,693</td><td>2,642</td><td>2,582</td></tr>
<tr><td>Investment Bank</td><td>7,665</td><td>7,552</td><td>7,423</td></tr>
<tr><td>Group Functions</td><td>31,144</td><td>31,136</td><td>27,507</td></tr>
</table>
UBS AG (consolidated) personnel by business division and Group Functions:
<table>
<tr><th></th><th></th><th>As of</th><th></th></tr>
<tr><th>Full-time equivalents</th><th>31.12.21</th><th>31.12.20</th><th>31.12.19</th></tr>
<tr><td>Personnel (full-time equivalents)</td><td>47,067</td><td>47,546</td><td>47,005</td></tr>
<tr><td>Global Wealth Management</td><td>22,986</td><td>23,039</td><td>23,982</td></tr>
<tr><td>Personal & Corporate Banking</td><td>4,993</td><td>5,131</td><td>5,156</td></tr>
<tr><td>Asset Management</td><td>2,375</td><td>2,351</td><td>2,314</td></tr>
<tr><td>Investment Bank</td><td>5,854</td><td>5,713</td><td>5,672</td></tr>
<tr><td>Group Functions</td><td>10,859</td><td>11,312</td><td>9,880</td></tr>
</table></td></tr>
<tr><td>E—Share Ownership.</td><td>1 and 2: Annual Report, Compensation (227-272), Note 28 to each set of Financial Statements (Employee benefits: variable compensation) (387-390 and 519-522) and Note 31b to each set of Financial Statements (Equity holdings of key management personnel) (397 and 529).</td></tr>
</table>

<table>
<tr><td colspan="2">Item 7. Major Shareholders and Related Party Transactions.</td></tr>
<tr><td>A—Major Shareholders.</td><td>Annual Report, Group structure and shareholders (191), Share capital structure (192-196) and Voting rights, restrictions and representation (197).<br><br>The number of shares of UBS Group AG held by the respective shareholders listed on page 191 of the Annual Report registered in the UBS share register with 3% or more of total share capital as of 31 December 2021 is as follows:<br><br>
<table>
<tr><td>Shareholder</td><td>Number of shares held</td></tr>
<tr><td>Chase Nominees Ltd., London</td><td>329,276,739</td></tr>
<tr><td>DTC (Cede & Co.), New York</td><td>214,183,469</td></tr>
<tr><td>Nortrust Nominees Ltd., London</td><td>177,762,902</td></tr>
</table>
<br>According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX, the following entities disclosed holding of more than 3% of the total share capital of UBS Group AG, with the following number of shares:<br><br>
<table>
<tr><td>Shareholder</td><td>Number of shares held</td></tr>
<tr><td>Norges Bank, Oslo on 24 July 2019</td><td>115,997,262</td></tr>
<tr><td>BlackRock Inc., New York on 26 May 2020</td><td>181,261,629</td></tr>
<tr><td>Artisan Partners Limited Partnership, Milwaukee on 18 November 2020</td><td>121,591,630</td></tr>
<tr><td>Massachusetts Financial Services Company, on 22 June 2021</td><td>116,145,996</td></tr>
<tr><td>Dodge & Cox International Stock Fund, on 24 January 2022</td><td>111,816,261</td></tr>
</table>
<br>The number of shares of UBS AG held by UBS Group AG as of 31 December 2021 was 3,858,408,466 shares.</td></tr>
<tr><td>B—Related Party Transactions.</td><td>Annual Report, Loans granted to GEB members (270), Loans granted to BoD members (270) and Note 31 to each set of Financial Statements (Related parties) (397-398 and 529-531).</td></tr>
<tr><td>C—Interests of Experts and Counsel.</td><td>Not applicable.</td></tr>
<tr><td colspan="2">Item 8. Financial Information.</td></tr>
<tr><td>A—Consolidated Statements and Other Financial Information.</td><td>1, 2, 3, 4, 6: Please see Item 18 of this Form 20-F.<br>5: Not applicable.<br>7: Information on material legal and regulatory proceedings is in Note 18 to each set of Financial Statements (Provisions and contingent liabilities) (330-335 and 461-466).<br>For developments during the year, please see also the note Provisions and contingent liabilities in the Consolidated Financial Statements section in our respective quarterly reports for the First, Second and Third Quarters 2021, filed on Forms 6-K dated April 27, 2021 (UBS Group AG) and April 30, 2021 (UBS AG), July 20, 2021 (UBS Group AG) and July 23, 2021 (UBS AG) and October 26, 2021 (UBS Group AG) and October 29, 2021 (UBS AG), respectively; as well as the Provisions and contingent liabilities section in the Fourth Quarter 2021 Report, filed on Form 6-K dated February 1, 2022. The disclosures in each such Quarterly Report speak only as of their respective dates.<br>8: Annual Report, Letter to Shareholders (2-4), Our strategy (16-19), Investors (43), Dividend distribution (182), Distributions to shareholders (195).</td></tr>
<tr><td>B—Significant Changes.</td><td>Annual Report, Note 34 to each set of Financial Statements (Events after the reporting period) (400 and 533).</td></tr>
<tr><td colspan="2">Item 9. The Offer and Listing.</td></tr>
<tr><td>A – Offer and Listing Details.</td><td>1, 2, 3, 5, 6, 7: Not applicable.<br>4: Annual Report, Listing of UBS Group AG shares (185).</td></tr>
<tr><td>B—Plan of Distribution.</td><td>Not applicable.</td></tr>
<tr><td>C—Markets.</td><td>Cover page (3).<br>Annual Report, Listing of UBS Group AG shares (185), Shares and participation certificates (194-195).</td></tr>
<tr><td>D—Selling Shareholders.</td><td>Not applicable.</td></tr>
<tr><td>E—Dilution.</td><td>Not applicable.</td></tr>
<tr><td>F—Expenses of the Issue.</td><td>Not applicable.</td></tr>
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| **Item 10**. Additional Information. | |
| A—Share Capital. | Not applicable. |
| B—Memorandum and Articles of Association. | 1: Supplement (15).<br>2: Annual Report, *Compensation governance* (236-237), *Compensation for the Board of Directors* (258-260). Supplement (14-15).<br>3: Annual Report, *Share capital structure* (192-196), *Shareholders' participation rights* (197-198), *Elections and terms of office* (207). Supplement (12-15).<br>4: Supplement (13).<br>5: Annual Report, *Shareholders' participation rights* (197-198). Supplement (13).<br>6: Annual Report, *Transferability, voting rights and nominee registration* (196), *Shareholders' participation rights* (197-198). Supplement (12).<br>7: Annual Report, *Change of control and defense measures* (223).<br>8: Annual Report, *Significant Shareholders* (191).<br>9: Supplement (12-16).<br>10: Supplement (12-16). |
| C—Material Contracts. | The Terms & Conditions of the several series of capital instruments issued to date, and to be issued pursuant to Deferred Capital Contingent Plans, are exhibits 4.1 through 4.21 to this Form 20-F. These notes are described under *Swiss SRB total loss-absorbing capacity framework* on page 152-153 of the Annual Report and *Our deferred compensation plans* on page 252 of the Annual Report.<br><br>The Asset Transfer Agreement by which certain assets and liabilities of UBS AG were transferred to UBS Switzerland AG is filed as Exhibit 4.22, and is described under *Joint liability of UBS Switzerland AG* on page 536 of the Annual Report. |
| D—Exchange Controls. | Other than in relation to economic sanctions, there are no restrictions under the Articles of Association of UBS Group AG or UBS AG, nor under Swiss law, as presently in force, that limit the right of non-resident or foreign owners to hold UBS's securities freely. There are currently no Swiss foreign exchange controls or other Swiss laws restricting the import or export of capital by UBS or its subsidiaries, nor restrictions affecting the remittance of dividends, interest or other payments to non-resident holders of UBS securities. The Swiss federal government may impose sanctions on particular countries, regimes, organizations or persons which may create restrictions on exchange of control. A current list, in German, French and Italian, of such sanctions can be found at www.seco-admin.ch. UBS may also be subject to sanctions regulations from other jurisdictions where it operates imposing further restrictions. |
| E—Taxation. | Supplement (16-18). |
| F—Dividends and Paying Agents. | Not applicable. |
| G—Statement by Experts. | Not applicable. |
| H—Documents on Display. | UBS files periodic reports and other information with the Securities and Exchange Commission. You may read and copy any document that we file with the SEC on the SEC's website, *www.sec.gov*. Much of this information may also be found on the UBS website at *www.ubs.com/investors*. |
| I—Subsidiary Information. | Not applicable. |
| **Item 11**. Quantitative and Qualitative Disclosures About Market Risk. | |
| (a) Quantitative Information About Market Risk. | Annual Report, *Market risk* (131-139). |
| (b) Qualitative Information About Market Risk. | Annual Report, *Market risk* (131-139). |
| (c) Interim Periods. | Not applicable. |
| **Item 12.** Description of Securities Other than Equity Securities. | |
| A – Debt Securities | Not applicable. |
| B – Warrants and Rights | Not applicable. |
| C – Other Securities | Not applicable. |
| D – American Depositary Shares | Not applicable. |

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| **Item 13**. Defaults, Dividend Arrearages and Delinquencies. | There has been no material default in respect of any indebtedness of UBS or any of its significant subsidiaries or any arrearages of dividends or any other material delinquency not cured within 30 days relating to any preferred stock of UBS Group AG or any of its significant subsidiaries. |
| **Item 14.** Material Modifications to the Rights of Security Holders and Use of Proceeds. | None. |
| **Item 15.** Controls and Procedures. | |
| (a) Disclosure Controls and Procedures | Annual Report, *US disclosure requirements* (226), and Exhibit 12 to this Form 20-F. |
| (b) Management's Annual Report on Internal Control over Financial Reporting | Annual Report, *Management's report on internal control over financial reporting* (276 and 406). |
| (c) Attestation Report of the Registered Public Accounting Firm | Annual Report, *Report of Independent Registered Public Accounting Firm* (277 and 407). |
| (d) Changes in Internal Control over Financial Reporting | None. |
| **Item 16A.** Audit Committee Financial Expert. | Annual Report, *Audit Committee* (209) and *Differences from corporate governance standards relevant to US-listed companies* (190).<br><br>All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the US Sarbanes-Oxley Act of 2002, at least one member, the Chairperson Jeremy Anderson, qualifies as a financial expert. |
| **Item 16B.** Code of Ethics. | Annual Report, *Code of Conduct and Ethics* (48) UBS's Code of Conduct and Ethics ("the Code") is published on our website under https://www.ubs.com/code.The UBS Code of Business Conduct does not include a waiver option, and no waiver from any provision of the Code was granted to any employee in 2021. |
| **Item 16C.** Principal Accountant Fees and Services. | Annual Report, *Auditors* (224-225).<br><br>None of the non-audit services so disclosed were approved by the Audit Committee pursuant to paragraph (c) (7)(i)(C) of Rule 2-01 of Regulation S-X. |
| **Item 16D.** Exemptions from the Listing Standards for Audit Committees. | Not applicable. |
| **Item 16E.** Purchases of Equity Securities by the Issuer and Affiliated Purchasers. | Annual Report, *Holding of UBS Group AG shares* (184).<br><br>UBS Group AG completed on 2 February 2021 its three-year share repurchase program launched in March 2018. As announced on 26 January 2021, UBS Group AG launched in February 2021 a new three-year share repurchase program of up to CHF 4 billion until the 2024 AGM. Further, UBS announced on February 1, 2022 its intention to commence a new 2022 repurchase program of up to USD 6 billion over two years, and expects to execute up to USD 5 billion of share repurchases under both the existing 2021 and the new 2022 share buyback program by the end of 2022. |
| **Item 16F.** Changes in Registrant's Certifying Accountant. | Not applicable. |
| **Item 16G.** Corporate Governance. | Annual Report, *Differences from corporate governance standards relevant to US-listed companies* (190). |
| **Item 16H.** Mine Safety Disclosure. | Not applicable. |
| **Item 16I.** Disclosure Regarding Foreign Jurisdictions that Prevent Inspections | Not applicable. |
| **Item 17.** Financial Statements. | Not applicable. |
| **Item 18.** Financial Statements. | Annual Report, *Financial statements* (273-546), *Significant regulated subsidiary and sub-group information* (547-549) and *Additional regulatory information* (551-576). |
| **Item 19.** Exhibits | Supplement (19-20). |

## Supplemental information

**Item 4. Information on the Company**
**B – Business Overview**

**Item 4.B.2. Geographic breakdown of revenues**

The operating regions shown in the table below correspond to the regional management structure of the Group. The allocation of operating income to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure.

The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio within Group Functions, are managed at a Group level. These revenues are included in the *Global* column.

*USD billion*

| Business Division | FY | Americas | Asia Pacific | EMEA | Switzerland | Global | Total |
|---|---|---|---|---|---|---|---|
| Global Wealth Management | 2021 | 10.7 | 2.9 | 4.0 | 1.9 | 0.0 | 19.4 |
| | 2020 | 9.0 | 2.7 | 3.6 | 1.7 | 0.0 | 17.0 |
| | 2019 | 9.1 | 2.2 | 3.4 | 1.6 | 0.1 | 16.4 |
| Personal & Corporate Banking | 2021 | 0.0 | 0.0 | 0.0 | 4.3 | 0.0 | 4.3 |
| | 2020 | 0.0 | 0.0 | 0.0 | 3.7 | 0.0 | 3.7 |
| | 2019 | 0.0 | 0.0 | 0.0 | 3.7 | 0.0 | 3.7 |
| Asset Management | 2021 | 0.6 | 0.5 | 0.5 | 0.8 | 0.0 | 2.6 |
| | 2020 | 0.7 | 0.5 | 0.5 | 0.7 | 0.6 | 3.0 |
| | 2019 | 0.5 | 0.4 | 0.4 | 0.6 | (0.0) | 1.9 |
| Investment Bank | 2021 | 3.2 | 3.0 | 2.5 | 0.8 | (0.0) | 9.5 |
| | 2020 | 3.3 | 2.7 | 2.4 | 0.8 | 0.0 | 9.2 |
| | 2019 | 2.5 | 2.1 | 2.0 | 0.7 | (0.0) | 7.3 |
| Group Functions | 2021 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (0.4) |
| | 2020 | 0.0 | 0.0 | 0.0 | 0.0 | (0.5) | (0.5) |
| | 2019 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (0.4) |
| Group | 2021 | 14.5 | 6.5 | 7.0 | 7.9 | (0.3) | 35.5 |
| | 2020 | 13.0 | 6.0 | 6.5 | 6.9 | 0.1 | 32.4 |
| | 2019 | 12.0 | 4.7 | 5.8 | 6.7 | (0.3) | 28.9 |

**Disclosure Pursuant To Section 219 of the Iran Threat Reduction And Syrian Human Rights Act**

Section 219 of the US Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA") added Section 13(r) to the US Securities Exchange Act of 1934, as amended (the "Exchange Act") requiring each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the report. The required disclosure may include reporting of activities not prohibited by US or other law, even if conducted outside the US by non-US affiliates in compliance with local law. Pursuant to Section 13(r) of the Exchange Act, we note the following for the period covered by this annual report:

UBS has a Group Sanctions Policy that prohibits transactions involving sanctioned countries, including Iran, and sanctioned individuals and entities. However, UBS maintains one account involving the Iranian government under the auspices of the United Nations in Geneva after agreeing with the Swiss government that it would do so only under certain conditions. These conditions include that payments involving the account must: (1) be made within Switzerland; (2) be consistent with paying rent, salaries, telephone and other expenses necessary for its operations in Geneva; and (3) not involve any Specially Designated Nationals (SDNs) blocked or otherwise restricted under US or Swiss law. In 2021, the gross revenues for this UN-related account were approximately USD 19,034.19. We do not allocate expenses to specific client accounts in a way that enables us to calculate net profits with respect to any individual account. UBS AG intends to continue maintaining this account pursuant to the conditions it has established with the Swiss Government and consistent with its Group Sanctions Policy.

As previously reported, UBS had certain outstanding legacy trade finance arrangements issued on behalf of Swiss client exporters in favor of their Iranian counterparties. In February 2012 UBS ceased accepting payments on these outstanding export trade finance arrangements and worked with the Swiss government who insured these contracts (Swiss Export Risk Insurance "SERV"). On December 21, 2012, UBS and the SERV entered into certain Transfer and Assignment Agreements under which SERV purchased all of UBS's remaining receivables under or in connection with Iran-related export finance transactions. Hence, the SERV is the sole beneficiary of said receivables. There was no financial activity involving Iran in connection with these trade finance arrangements in 2021, and no gross revenue or net profit.

In connection with these trade finance arrangements, UBS has maintained one existing account relationship with an Iranian bank. This account was established prior to the US designation of this bank and maintained due to the existing trade finance arrangements. In 2007, following the designation of the bank pursuant to sanctions issued by the US, UN and Switzerland, the account was blocked under Swiss law and remained subject to blocking requirements until January 2016. Client assets as of 31 December 2021 were CHF 3,097.40. There have been no transactions involving this account. The gross revenues to report for 2021 are CHF 2.35.

From August to December 2021, UBS processed six payments in connection with Iran under an international program designed to provide equitable access to COVID-19 vaccines, and UBS anticipates that such activity may continue, There were no revenues or profits associated with these transactions. In addition, two payments were received by UBS under the same international program in January and June 2021.

**Item 10. Additional Information.**
**B—Memorandum and Articles of Association.**

Please see the Articles of Association of UBS Group AG and of UBS AG (Exhibits 1.1 and 1.2, respectively, to this Form 20-F) and the Organization Regulations of UBS Group AG and UBS AG (Exhibit 1.3 and 1.4, respectively, to this Form 20-F).

Set forth below is a summary of the material provisions of the Articles of Association of UBS Group AG (which we call the "Articles" throughout this document), Organization Regulations of UBS Group AG (which we call the "Organization Regulations" throughout this document) and relevant Swiss laws, in particular the Swiss Code of Obligations, relating to our shares. This description does not purport to be complete and is qualified in its entirety by references to Swiss law, including Swiss company law, and to the Articles and Organization Regulations.

The Articles of Association and Organization Regulations of UBS AG are substantially similar to the Articles and Organization Regulations of UBS Group AG, so the following description applies equally to UBS AG, except where indicated that it refers to only one of the companies.

The principal legislation under which UBS Group AG and UBS AG operate, and under which the ordinary shares of UBS Group AG are issued, is the Swiss Code of Obligations.

The shares are registered shares with a par value of CHF 0.10 per share. The shares are fully paid up, and there is no liability of shareholders to further capital calls by the company. The shares rank *pari passu* in all respects with each other, including voting rights, entitlement to dividends, liquidation proceeds in case of the liquidation of the company, subscription or preemptive rights in the event of a share issue (*Bezugsrechte*) and preemptive rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*).

Each share carries one vote at our shareholders' meetings. Voting rights may be exercised only after a shareholder has been recorded in our share register as a shareholder with voting rights. Registration with voting rights is subject to certain restrictions. See "Share Register and Transfer of Shares" below.

The Articles provide that we may elect not to print and deliver certificates in respect of registered shares. Shareholders may, however, following registration in the share register, request at any time that we issue a written statement in respect of their shares; however, the shareholder has no entitlement to the printing and delivery of share certificates

***<u>Shares and Shareholders</u>***
***Share Register and Transfer of Shares***

UBS Group AG's share register is kept by UBS Shareholder Services, P.O. Box, CH-8098 Zurich, Switzerland. Shareholder Services is responsible for the registration of the global shares. It is split into two parts – a Swiss register, which is maintained by UBS Group, acting as Swiss share registrar, and a US register, which is maintained by Computershare Trust Company NA, c/o Computershare Investor Services, P.O. Box 505000, Louisville, KY 40233-5000, United States (US), as US transfer agent.

Swiss law and the Articles of Association of UBS Group AG and UBS AG require UBS to keep a share register in which the names, addresses and nationality (for legal persons, the registered office) of the owners (and beneficial owners) of registered shares are recorded. The main function of the share register is to record shareholders entitled to vote and participate in general meetings, or to assert or exercise other rights related to voting rights.

The transfer of shares which exist in the form of intermediary-held securities is effected by entries in securities accounts in accordance with applicable law. The transfer of uncertificated securities is effected by way of a written declaration of assignment and requires notice to the issuer.

In order to register shares in the share register, a purchaser must file a share registration form with the share register. Failing such registration, the purchaser may not vote at or participate in shareholders' meetings, but will be entitled to dividends, pre-emptive and priority subscription rights, and liquidation proceeds.

Swiss law distinguishes between registration with and without voting rights. Shareholders must be registered in the share register as shareholders with voting rights in order to vote and participate in general meetings or to assert or exercise other rights related to voting rights. A purchaser of shares will be recorded in our share register with voting rights upon disclosure of its name and nationality (and for legal persons, the registered office). However, we may decline a registration with voting rights if the shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it will be registered as a shareholder without voting rights.

There is no limitation under Swiss law or our Articles on the right of non-Swiss residents or nationals to own or vote our shares.

***General Meeting***

Under Swiss law, annual ordinary shareholders' meetings must be held within six months after the end of our financial year, which is 31 December. Shareholders' meetings may be convened by the Board of Directors (BoD) or, if necessary, by the statutory auditors, with twenty-days' advance notice. The BoD is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of our nominal share capital. Shareholders representing shares with an aggregate par value of at least CHF 62,500 have the right to request that a specific proposal be put on the agenda and voted upon at the next shareholders' meeting. A shareholders' meeting is convened by publishing a notice in the Swiss Official Commercial Gazette (*Schweizerisches Handelsamtsblatt*) at least 20 days prior to such meeting. An invitation will be sent to all registered shareholders.

The Articles do not require a minimum number of shareholders to be present in order to hold a shareholders' meeting.

Unless otherwise provided by law or the Articles (as indicated in this section), resolutions require the approval of an "absolute majority" of the votes cast, excluding blank and invalid ballots, at a shareholders' meeting. Shareholders' resolutions requiring a vote by absolute majority include:

- Amendments to the Articles (except for the changes requiring a higher quorum as indicated below);
- Elections of directors, Chairman of the BoD, members of the compensation committee and statutory auditors;
- Election of the independent proxy;
- Approval of the management report and the consolidated financial statements;
- Approval of the annual financial statements and the resolution on the use of the balance sheet profit (declaration of dividend);
- Approval of the compensation for the BoD and the Group Executive Board (GEB) of UBS Group AG, including the approval of the maximum aggregate amount of compensation of the members of the BoD for the period until the next Annual General Meeting (AGM), the maximum aggregate amount of fixed compensation of the GEB members for the following financial year and the aggregate amount of variable compensation of the GEB members for the preceding financial year, with the exception of a supplementary amount of up to 40% of the average of total annual compensation paid or granted to the GEB during the previous three years for persons joining or promoted within the GEB;
- Decisions to discharge directors and management from liability for matters disclosed to the shareholders' meeting; and
- Passing resolutions on matters which are by law or by the Articles reserved to the shareholders' meeting (e.g., the ordering of an independent investigation into the specific matters proposed to the shareholders' meeting).

Under Swiss corporate law, a resolution passed by at least two thirds of votes represented and an absolute majority of the par value of the shares represented is required in order to approve:

- A change in our stated purpose in the Articles;
- The creation of shares with preferential voting rights;
- A restriction on transferability or registration of shares;
- An increase in authorized or contingent capital or the creation of reserve capital in accordance with Swiss banking law;
- An increase in share capital funded by equity capital, against contribution in kind or to fund acquisitions in kind and the granting of special privileges;
- Changes to pre-emptive rights;
- A change of domicile of the corporation; or
- Dissolution of the corporation.

Under the Articles, a resolution passed at a shareholders' meeting with a supermajority of at least two thirds of the votes represented at such meeting is required to:

- Change the limits on BoD size in the Articles;
- Remove one-fourth or more of the members of the BoD; or
- Delete or modify these supermajority requirements.

At shareholders' meetings, a shareholder can be represented by his or her legal representative or under a written power of attorney by another shareholder eligible to vote or, under a written or electronic power of attorney, by the independent proxy. Votes are taken electronically, by written ballot or by a show of hands. Shareholders representing at least 3% of the votes represented may always request that a vote or election take place electronically or by a written ballot.

UBS AG follows the abovementioned statutory quorum rules in lieu of the quorum requirement of Rule 14.10(f)(3) of Cboe BZX Exchange, Inc.

***Net Profits and Dividends***

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained as general reserves until these equal 20% of the corporation's paid-up share capital. Any net profits remaining are at the disposal of the shareholders' meeting, except that, if an annual dividend exceeds 5% of the nominal share capital, then 10% of such excess must be retained as general reserves, unless such corporation qualifies as a holding company.

Under Swiss law, dividends may be paid out only if the corporation has sufficient distributable profits from previous business years or if the reserves of the corporation are sufficient to allow distribution of a dividend. In either event, dividends may be paid out only after approval by the shareholders' meeting. The BoD may propose to the shareholders that a dividend be paid out. The auditors must confirm that the dividend proposal of the BoD conforms with statutory law.

Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years.

***Preemptive Rights***

Under Swiss law, any share issue, whether for cash or non-cash consideration or for no consideration, is subject to the prior approval of the shareholders' meeting. Shareholders of a Swiss corporation have certain preemptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. The Articles or a resolution adopted at a shareholders' meeting with a supermajority of at least two-thirds of the votes represented and an absolute majority of the nominal value of the shares represented at the meeting may, however, limit or suspend preemptive rights in certain limited circumstances.

***Notices***

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The BoD may designate further means of communication for publishing notices to shareholders.

***Mandatory Tender Offer***

Under the applicable provisions of the Swiss Financial Market Infrastructure Act, anyone who directly or indirectly or acting in concert with third parties acquires more than 33 1/3% of the voting rights of a Swiss-listed company will have to submit a takeover bid to all remaining shareholders. A waiver from the mandatory bid rule may be granted by our supervisory authority. If no waiver is granted, the mandatory takeover bid must be made pursuant to the procedural rules set forth in the Swiss Financial Market Infrastructure Act and implementing ordinances.

***Board of Directors***
***Borrowing Power***

Neither Swiss law nor the Articles restrict in any way our power to borrow and raise funds, provided that any such borrowing is entered into on arms' length terms.

Swiss law requires that the Articles determine the amount of loans that UBS Group AG, as a listed company, may grant to members of its BoD. The Articles restrict UBS Group AG's ability to grant loans to BoD members as follows: First, loans to the independent members of the BoD shall be made in accordance with the customary business and market conditions. Second, loans to the non-independent members of the BoD shall be made in the ordinary course of business on substantially the same terms as those granted to UBS employees. Third, the total amount of such loans shall not exceed CHF 20 million per member.

***Conflicts of Interests***

Swiss law does not have a general provision on conflicts of interests. However, the Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, as such, imposes a duty of care and a duty of loyalty on directors and officers. This rule is generally understood as disqualifying directors and senior officers from participating in decisions that directly affect them. Directors and officers are personally liable to the corporation for any breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated therewith, other than at arm's length, must be repaid to us if the shareholder or director was acting in bad faith.

In addition, our Organization Regulations provide that, subject to exceptional circumstances in which the best interests of UBS dictate that the member of the BoD or senior management with a conflict of interest shall not participate in the discussions and decision-making involving the interest at stake, the member of the BoD or senior management with a conflict of interest shall participate in discussions and a double vote (meaning a vote with and a vote without the conflicted individual) shall take place. A binding decision on the matter requires the same outcome in both votes.

***Retirement of Board members***

There is no age-limit requirement for retirement of the members of the BoD. The term of office for each Board member is one year, and no Board member may serve for more than 10 consecutive terms of office. In exceptional circumstances the Board can extend this limit.

***Executive sessions***

UBS AG's Organization Regulations require one-third of the members of the Board of Directors of UBS AG to be independent. While neither Swiss law applicable to UBS AG nor the Organization Regulations require regularly scheduled meetings of UBS AG's independent directors, the Organization Regulations of UBS Group AG require independent members of the Board of Directors of UBS Group AG to meet, without the participation of the Chairman, at least twice a year. All members of UBS Group AG's Board of Directors are also members of UBS AG's Board of Directors and all meetings of UBS Group AG's Board of Directors are held as combined meetings with the UBS AG's Board of Directors. As a result, the practice currently in place at UBS AG is that the independent members regularly meet in sessions of independent members only. In addition to these joint meetings, standalone meetings of UBS AG's Board of Directors are held regularly to discuss and agree on finance, risk, compliance, operational risk, regulatory and other topics related to UBS AG.

***<u>The Company</u>***
***Repurchase of Shares***

Swiss law limits a corporation's ability to hold or repurchase its own shares. We and our Swiss subsidiaries may only repurchase shares if we have sufficient free reserves to pay the purchase price and if the aggregate nominal value of the shares does not exceed 10% of our nominal share capital. Repurchases for cancellation purposes approved by the shareholders' meeting are exempted from the 10% threshold. Furthermore, such own shares must be disclosed as negative items in our shareholders' equity. Such shares held by us or our Swiss subsidiaries do not carry any rights to vote at shareholders' meetings.

***Sinking fund provisions***
There are no provisions in the Swiss law or in the Articles requiring the company to put resources aside for the exclusive purpose of redeeming bonds or repurchasing shares.

***Registration and Business Purpose***

UBS Group AG was incorporated and registered as a corporation limited by shares (*Aktiengesellschaft*) under the laws of Switzerland. UBS Group AG was entered into the commercial register of Canton Zurich on 10 June 2014 under the registration number CHE-395.345.924 and has its registered domicile in Zurich, Switzerland. The business purpose of UBS Group AG, as set forth in article 2 of its Articles, is the acquisition, holding, management and sale of direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS Group may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS Group is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS Group may provide loans, guarantees and other types of financing and security for group companies and borrow and invest capital on the money and capital markets.

UBS AG was incorporated and registered as a corporation limited by shares (*Aktiengesellschaft*) under the laws of Switzerland. It is entered into the commercial registers of Canton Zurich and Canton Basel-City under the registration number CHE-101.329.561 and has registered domiciles in Zurich and Basel, Switzerland. The business purpose of UBS AG, as set forth in article 2 of its Articles of Association, is the operation of a bank, with a scope of operations extending to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG is a wholly owned subsidiary of UBS Group AG.

***Duration and Liquidation***

UBS Group AG and UBS AG have unlimited duration.

Under Swiss law, we may be dissolved at any time by a shareholders' resolution which must be passed by a supermajority of at least two-thirds of the votes represented and an absolute majority of the nominal value of the shares represented at the meeting. Dissolution by law or court order is possible, for example, if we become bankrupt.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up nominal value of shares held.

***Other***

Ernst & Young Ltd, Aeschengraben 9, CH-4051 Basel, Switzerland, PCAOB number 1460, have been appointed as statutory auditors and as auditors of the consolidated accounts of both UBS Group AG and UBS AG. The auditors are subject to election by the shareholders at the ordinary general meeting on an annual basis.

**E—Taxation.**

This section outlines the material Swiss tax and US federal income tax consequences of the ownership of UBS Group AG's ordinary shares (defined as "UBS ordinary shares " in this section) by a US holder (as defined below) who holds UBS ordinary shares as capital assets. This discussion addresses only US federal income taxation and Swiss income and capital taxation and does not discuss all of the tax consequences that may be relevant to holders in light of their individual circumstances, including other foreign tax consequences, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. It is designed to explain the major interactions between Swiss and US taxation for US persons who hold UBS ordinary shares.

The discussion does not address the tax consequences to persons who hold UBS ordinary shares in particular circumstances, such as tax-exempt entities, banks, financial institutions, life insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, holders that actually or constructively own 10% or more of the total combined voting power of the voting stock of UBS Group AG or of the total value of stock of UBS Group AG, holders that hold UBS ordinary shares as part of a straddle or a hedging or conversion transaction, holders that purchase or sell UBS ordinary shares as part of a wash sale for tax purposes or holders whose functional currency for US tax purposes is not the US dollar. This discussion also does not apply to holders who acquired their UBS ordinary shares through a tax-qualified retirement plan, nor generally to unvested UBS ordinary shares held under deferred compensation arrangements.

If a partnership (or other entity treated as a partnership) holds UBS ordinary shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the UBS ordinary shares should consult its tax advisor with regard to the US federal income tax treatment of an investment in the ordinary shares.

The discussion is based on the tax laws of Switzerland and the United States, including the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, as in effect on the date of this document, as well as the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, which we call the "Treaty," all of which may be subject to change or change in interpretation, possibly with retroactive effect.

For purposes of this discussion, a "US holder" is any beneficial owner of UBS ordinary shares that is for US federal income tax purposes:

- A citizen or resident of the United States;
- A domestic corporation or other entity taxable as a corporation;
- An estate, the income of which is subject to US federal income tax without regard to its source; or
- A trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

Holders of UBS ordinary shares are urged to consult their tax advisors regarding the US federal, state and local and the Swiss and other tax consequences of owning and disposing of these shares in their particular circumstances.

**(a) Ownership of UBS Ordinary Shares - Swiss Taxation**

*Dividends and Distributions*
Dividends paid by UBS Group AG to a holder of UBS ordinary shares (including dividends on liquidation proceeds and stock dividends) are in principle subject to a Swiss federal withholding tax at a rate of 35%.

Under the Capital Contribution Principle, the repayment of capital contributions, including share premiums made by the shareholders after December 31, 1996 is in principle no longer subject to Swiss withholding tax if certain requirements regarding the booking of these capital contributions are met.

Swiss companies listed on a Swiss stock exchange such as UBS Group AG can repay reserves from capital contributions to their shareholders without deduction of Swiss withholding tax only if they distribute at least the same amount of taxable dividends. For this reason UBS Group AG pays half of the dividend from capital contribution reserves and half of the dividend from taxable dividends which is subject to 35% Swiss withholding tax.

A US holder resident in the US that qualifies for Treaty benefits may apply for a refund of the withholding tax withheld in excess of the 15% Treaty rate (or for a full refund in case of qualifying retirement arrangements). The claim for refund must be filed with the Swiss Federal Tax Administration, Eigerstrasse 65, CH-3003 Berne, Switzerland no later than December 31 of the third year following the end of the calendar year in which the income subject to withholding was due. The form used for obtaining a refund is one of the Swiss Tax Forms 82 (82 C for US companies; 82 E for other US entities; 82 I for individuals; 82 R for regulated investment companies), which may be obtained from the Swiss Federal Tax Administration at the address above or downloaded from the web page of the Swiss Federal tax Administration. The form must be filled out in triplicate with each copy duly completed and signed before a notary public in the United States. The form must be accompanied by evidence of the deduction of withholding tax withheld at the source.

A US holder resident outside the US may be eligible for a withholding tax reclaim. If the US holder is resident in Switzerland, a full reclaim based on the Swiss withholding tax Act is possible provided all necessary conditions are met. A US holder resident neither in the US nor in Switzerland may be eligible for a partial reclaim provided that a Treaty between Switzerland and the country of residence is applicable and that all necessary conditions are met.

*Transfers of UBS Ordinary Shares*
The purchase or sale of UBS ordinary shares, whether by Swiss resident or non-resident holders (including US holders), may be subject to a Swiss securities transfer stamp duty of up to 0.15% calculated on the purchase price or sale proceeds if it occurs through or with a bank or other securities dealer as defined in the Swiss Federal Stamp Tax Act in Switzerland or the Principality of Liechtenstein. In addition to the stamp duty, the sale of UBS ordinary shares by or through a member of a recognized stock exchange may be subject to a stock exchange levy.

Capital gains realized by a US holder upon the sale of UBS ordinary shares are not subject to Swiss income or gains taxes, unless such US holder holds such shares as business assets of a Swiss business operation qualifying as a permanent establishment for the purposes of the Treaty. In the latter case, gains are taxed at ordinary Swiss individual or corporate income tax rates, as the case may be, and losses are deductible for purposes of Swiss income taxes. Furthermore, a US holder who is an individual resident in Switzerland and holds such shares as business assets (as he qualifies as a professional trader of securities as per Swiss tax law) may be liable to Swiss income taxes on gains.

**(b) Ownership of UBS Ordinary Shares - US Federal Income Taxation**

The tax treatment of the UBS ordinary shares will depend in part on whether or not UBS Group AG is classified as a passive foreign investment company, or PFIC, for US federal income tax purposes. Except as discussed below under "—Passive Foreign Investment Company (PFIC) Rules", this discussion assumes that UBS Group AG is not classified as a PFIC for United States federal income tax purposes.

*Dividends and Distributions*
A US holder will include in gross income and treat as a dividend the gross amount of any distribution paid, before reduction for Swiss withholding taxes, by UBS Group AG out of its current or accumulated earnings and profits (as determined for US federal income tax purposes), other than certain pro-rata distributions of UBS ordinary shares, when the distribution is actually or constructively received by the US holder. Distributions in excess of current and accumulated earnings and profits (as determined for US federal income tax purposes) will be treated as a return of capital to the extent of the US holder's basis in its UBS ordinary shares and thereafter as capital gain. However, UBS Group AG does not expect to calculate earnings and profits in accordance with US federal income tax principles. Accordingly, a US holder should expect to generally treat distributions we make on UBS ordinary shares as dividends.

Dividends paid to a noncorporate US holder that constitute qualified dividend income will be taxable to the holder at preferential rates, provided that the holder has a holding period in the shares of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends paid by UBS Group AG with respect to the ordinary shares will generally be qualified as dividend income provided that, in the year that the US holder receives the dividend, the UBS ordinary shares are readily tradable on an established securities market in the United States. The UBS ordinary shares are listed on the New York Stock Exchange, and UBS Group AG therefore expects that dividends will be qualified dividend income.

For US federal income tax purposes, a dividend will include a distribution characterized under Swiss law as a repayment of capital contributions if the distribution is made out of current or accumulated earnings and profits, as described above.

Dividends will generally be income from sources outside the United States for foreign tax credit limitation purposes, and will generally be "passive" income for purposes of computing the foreign tax credit allowable to the holder. However, if (a) we are 50% or more owned, by vote or value, by US persons and (b) at least 10% of our earnings and profits are attributable to sources within the US, then for foreign tax credit purposes, a portion of our dividends would be treated as derived from sources within the US. With respect to any dividend paid for any taxable year, the US source ratio of our dividends for foreign tax credit purposes would be equal to the portion of our earnings and profits from sources within the United States for such taxable year, divided by the total amount of our earnings and profits for such taxable year. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential rates. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

In the case of dividends that are paid in Swiss francs, the amount of the dividend distribution included in income of a US holder will be the US dollar value of the Swiss franc payments made, determined at the spot Swiss franc/US dollar rate on the date such dividend distribution is includible in the income of the US holder, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in income to the date such dividend payment is converted into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Subject to US foreign tax credit limitations, the nonrefundable Swiss tax withheld and paid over to Switzerland will be creditable or deductible against the US holder's US federal income tax liability. To the extent a reduction or refund of the tax withheld is available to a US holder under the laws of Switzerland or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the US holder's US federal income tax liability, whether or not the refund is actually obtained. See "(a) Ownership of UBS Ordinary Shares – Swiss Taxation" above, for the procedures for obtaining a tax refund.

*Transfers of UBS Ordinary Shares*
A US holder that sells or otherwise disposes of UBS ordinary shares generally will recognize capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realized and its tax basis, determined in US dollars, in such UBS ordinary shares. Capital gain of a non-corporate US holder is generally taxed at preferential rates if the UBS ordinary shares were held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. A US holder will not be allowed a foreign tax credit in respect of any stamp duty or stock exchange levy that is imposed upon a transfer of UBS ordinary shares.

*Passive Foreign Investment Company (PFIC) Rules*
UBS Group AG believes that UBS ordinary shares should not currently be treated as stock of a PFIC for US federal income tax purposes, and does not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination made annually and thus may be subject to change. It is therefore possible that UBS Group AG could become a PFIC in a future taxable year. In general, UBS Group AG will be a PFIC with respect to a US holder if, for any taxable year in which the US holder held UBS ordinary shares, either (i) at least 75% of the gross income of UBS Group AG for the taxable year is passive income or (ii) at least 50% of the value, determined on the basis of a quarterly average, of UBS's assets is attributable to assets that produce or are held for the production of passive income (including cash). If UBS Group AG were to be treated as a PFIC, gain realized on the sale or other disposition of UBS ordinary shares would in general not be treated as capital gain. Instead, unless a US holder elects to be taxed annually on a mark-to-market basis with respect to its UBS ordinary shares, such gain and certain "excess distributions" would be treated as having been realized ratably over the holder's holding period for the shares and generally would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, a holder's UBS ordinary shares will be treated as stock in a PFIC if UBS Group AG was a PFIC at any time during the holder's holding period in the UBS ordinary shares. In addition, dividends received from UBS Group AG would not be eligible for the preferential tax rate applicable to qualified dividend income if UBS Group AG were to be treated as a PFIC either in the taxable year of the distribution or the preceding taxable year, but would instead be taxable at rates applicable to ordinary income.

**Item 19. Exhibits.**

| Exhibit number | Description |
|---|---|
| 1.1 | Articles of Association of UBS Group AG dated 8 April 2021. |
| 1.2 | Articles of Association of UBS AG dated 26 April 2018. (Incorporated by reference to Exhibit 1.2 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 1.3 | Organization Regulations of UBS Group AG dated 14 February 2022. |
| 1.4 | Organization Regulations of UBS AG dated 14 February 2022 |
| 2(b) | Instruments defining the rights of the holders of long-term debt issued by UBS Group AG and its subsidiaries.<br><br>We agree to furnish to the SEC upon request, copies of the instruments, including indentures, defining the rights of the holders of our long-term debt and of our subsidiaries' long-term debt. |
| 2(d) | Description of securities registered under Section 12 or the Securities Exchange Act of 1934 |
| 4.1 | Fiscal agency agreement dated 17 August 2012 between UBS AG, acting through its Stamford Branch, and U.S. Bank N.A. (Incorporated by reference to Exhibit 4.2 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2012) |
| 4.2 | Terms and Conditions of Tier 2 Subordinated Notes of UBS AG due 2024, issued 15 May 2014. (Incorporated by reference to Exhibit 4.3 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.3 | Terms and Conditions of USD 1.25 billion 7% Tier 1 Subordinated Notes issued by UBS Group AG on 19 February 2015. (Incorporated by reference to Exhibit 4.4 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.4 | Terms and Conditions of EUR 1 billion 5.75% Tier 1 Subordinated Notes issued by UBS Group AG on 19 February 2015. (Incorporated by reference to Exhibit 4.6 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.5 | Terms and Conditions of USD 1.575 billion Tier 1 Subordinated Notes issued by UBS Group AG on 7 August 2015. (Incorporated by reference to Exhibit 4.8 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2015) |
| 4.6 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2017/18. (Incorporated by reference to Exhibit 4.15 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2017) |
| 4.7 | Terms and Conditions of USD 2 billion 5.0% Tier 1 Subordinated Notes issued on 31 January 2018 by UBS Group AG (originally issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, migrated to UBS Group AG as issuer on 11 October 2019). (Incorporated by reference to Exhibit 4.16 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2017) |
| 4.8 | Terms and Conditions of SGD 700 million 5.875% Tier 1 Subordinated Notes issued on 28 November 2018 by UBS Group AG (originally issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, migrated to UBS Group AG as issuer on 11 October 2019). (Incorporated by reference to Exhibit 4.17 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |

| | | |
|---|---|---|
| 4.9 | Terms and Conditions of USD 2.5 billion 7.00% Tier 1 Subordinated Notes issued on 31 January 2019 by UBS Group AG (originally issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, migrated to UBS Group AG as issuer on 11 October 2019). (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |
| 4.10 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2018/19. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |
| 4.11 | Terms and Conditions of AUD 700 million 4.375% Tier 1 Subordinated Notes issued on 27 August 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.17 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.12 | Terms and Conditions of SGD 750 million 4.85% Tier 1 Subordinated Notes issued on 04 September 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.13 | Terms and Conditions of CHF 275 million 3.00% Tier 1 Subordinated Notes issued on 13 November 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.14 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2019/20. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.15 | Terms and Conditions of USD 750 million 5.125% Tier 1 Subordinated Notes issued on 29 July 2020 by UBS Group AG. (Incorporated by reference to Exhibit 4.20 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.16 | Terms and Conditions of USD 1.5 billion 4.375% Tier 1 Subordinated Notes issued on 10 February 2021 by UBS Group AG. (Incorporated by reference to Exhibit 4.21 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.17 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2020/21. (Incorporated by reference to Exhibit 4.22 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.18 | Terms and Conditions of USD 750 million 3.875% Tier 1 Subordinated Notes issued on 02 June 2021 by UBS Group AG. |
| 4.19 | Terms and Conditions of USD 1.5 billion 4.875% Tier 1 Subordinated Notes issued on 12 January 2022 by UBS Group AG. |
| 4.20 | Terms and Conditions of CHF 265 million 3.375% Tier 1 Subordinated Notes issued on 16 February 2022 by UBS Group AG. |
| 4.21 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2021/22. |
| 4.22 | Asset Transfer Agreement between UBS AG and UBS Switzerland AG dated 12 June 2015. (Incorporated by reference to Form 6-K of UBS AG filed on June 17, 2015) |
| 8 | Significant Subsidiaries of UBS Group AG.<br><br>Please see Note 29 to each set of Financial Statements (*Interests in subsidiaries and other entities),* on pages 391-395 and 523-527 of the Annual Report. |
| 12 | The certifications required by Rule 13(a)-14(a) (17 CFR 240.13a-14(a)). |
| 13 | The certifications required by Rule 13(a)-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). |
| 15.1 | Consent of Ernst & Young Ltd. with respect to UBS Group AG. |
| 15.2 | Consent of Ernst & Young Ltd. with respect to UBS AG. |
| 101 | Interactive Data Files (sections of the Annual Report formatted in inline XBRL (Extensible Business Reporting Language)). Furnished electronically herewith. |

## SIGNATURES

The registrants hereby certify that they meet all of the requirements for filing on Form 20-F and that they have duly caused the undersigned to sign this annual report on their behalf.

**UBS Group AG**

_/s/ Ralph Hamers ________________
Name: Ralph Hamers
Title: Group Chief Executive Officer

_/s/ Kirt Gardner___________________
Name: Kirt Gardner
Title: Group Chief Financial Officer

_/s/ Christopher Castello ____________
Name: Christopher Castello
Title: Group Controller and Chief Accounting Officer

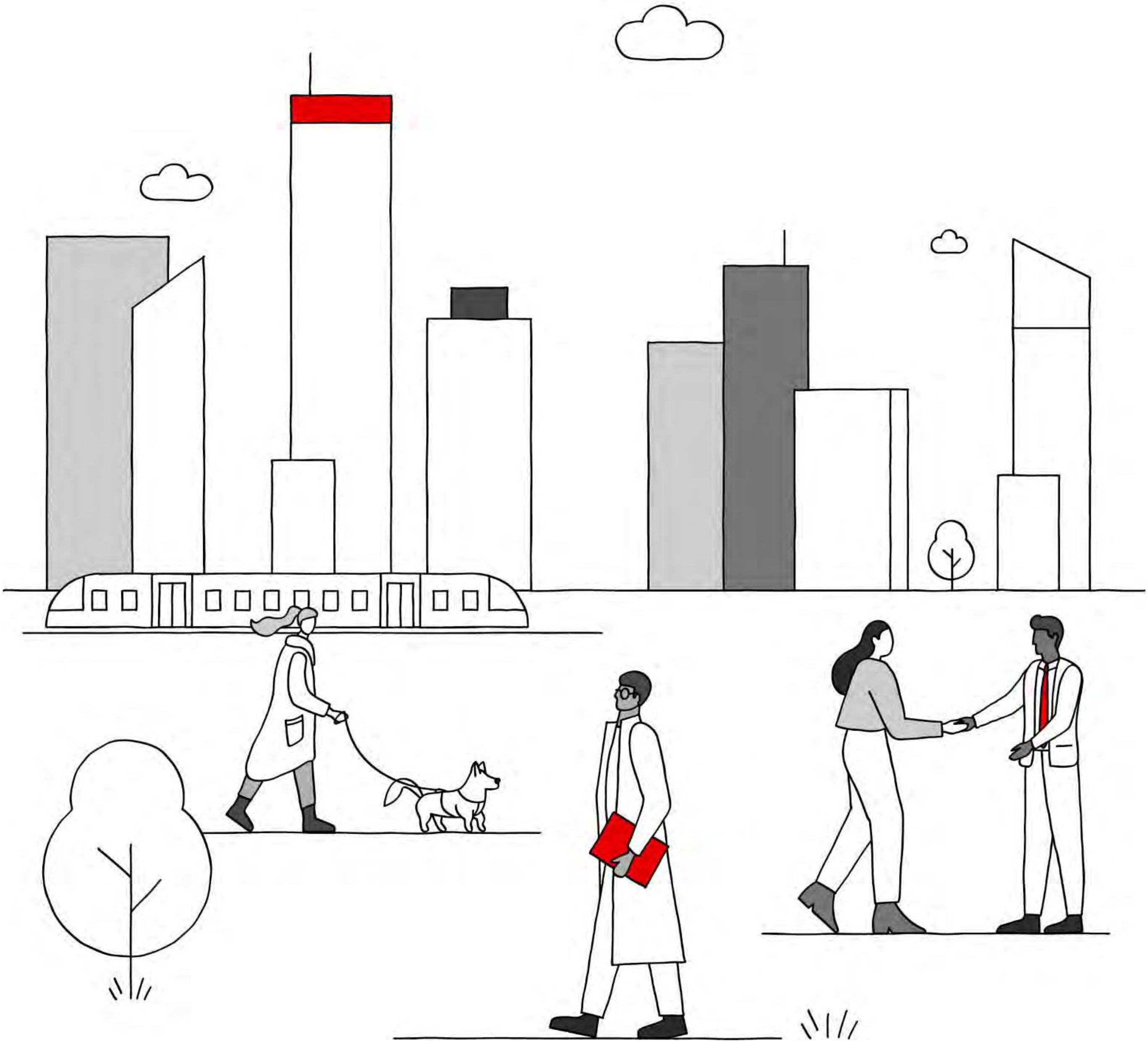
**UBS AG**

_/s/ Ralph Hamers _________________
Name: Ralph Hamers
Title: President of the Executive Board

_/s/ Kirt Gardner___________________
Name: Kirt Gardner
Title: Chief Financial Officer

_/s/ Christopher Castello_____________
Name: Christopher Castello
Title: Controller and Chief Accounting Officer

Date: March 7, 2022



# UBS Group AG and UBS AG

Annual Report 2021

# Our external reporting approach

The scope and content of our external reports are determined by Swiss legal and regulatory requirements, accounting standards, relevant stock and debt listing rules, including regulations promulgated by the Swiss Financial Market Supervisory Authority (FINMA), the SIX Swiss Exchange, the US Securities and Exchange Commission (the SEC) and other regulatory requirements, as well as by our financial reporting policies.

At the center of our external reporting approach is the annual report of UBS Group AG, which consists of disclosures for UBS Group AG and its consolidated subsidiaries. We also provide a combined annual report for UBS Group AG and UBS AG consolidated, which additionally includes the consolidated financial statements of UBS AG, as well as supplemental disclosures required under SEC regulations, and is the basis for our SEC Form 20-F filing.


Annual Reports | Sustainability Report | Standalone reports of significant group entities | Pillar 3 Report

## Annual Reports

The 2021 Annual Reports (the UBS Group AG Annual Report 2021 and the combined UBS Group AG and UBS AG Annual Report 2021) include the consolidated financial statements of UBS Group AG and UBS AG, respectively, and provide comprehensive information about our firm, including our strategy, businesses, financial and operating performance, and other key information. The reports are presented in US dollars. The UBS Group AG Annual Report 2021 is partly translated into German, with the German translation available as of 11 March 2022 under "Annual reporting" at ubs.com/investors.

The consolidated financial statements of UBS Group AG and UBS AG have been prepared in accordance with International Financial Reporting Standards (IFRS). The sections within "Risk, capital, liquidity and funding, and balance sheet" include certain audited financial information, which forms part of the consolidated financial statements. The Annual Reports also include the statutory financial statements of UBS Group AG, which are the basis for our appropriation of retained earnings and a potential distribution of dividends, subject to shareholder approval at the Annual General Meeting.

## Sustainability Report

The Sustainability Report, which will be available from 11 March 2022, provides disclosures on environmental, social and governance topics for UBS Group.

## Standalone reports of significant group entities

We publish separate standalone reports of significant group entities for UBS AG and UBS Switzerland AG. Selected financial and regulatory key figures for these entities, as well as for UBS Europe SE and UBS Americas Holding LLC, are also included in our annual reports. The UBS Europe SE 2021 financial statements and complementary disclosures will be published on our website in the first half of 2022.

## Pillar 3 Report

The Pillar 3 Report provides detailed quantitative and qualitative information about risk, capital, leverage and liquidity for UBS Group and prudential key figures and regulatory information for UBS AG standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated and UBS Americas Holding LLC consolidated.

We provide our combined Annual Report, the Pillar 3 Report, standalone reports of significant group entities and the Sustainability Report as web disclosures at *ubs.com/investors*. Alternatively, we provide the QR code on the right for rapid access to the above-mentioned reports and further information on investor relations-related topics.

# A firm driven by purpose

Our world is constantly changing. People are redefining the way they live, work and interact. Expectations from our clients, investors, employees and society are also evolving, and so should we. In April 2021, after a wide-ranging review, including cross-firm brainstorming and debate, we launched our unified purpose, which will guide our decisions going forward.

Reimagining
It is about proactively finding ways to fundamentally change how the world looks at finance and investing.

The power of investing
We know finance has a powerful influence on the world. We believe it is something we can leverage as a positive force – for individuals, for society and for our planet.

**Reimagining the power of investing. Connecting people for a better world.**

Connecting people
It is about more than just us. It is about convening a global ecosystem that connects people and businesses to ideas, partners and opportunities – so they can achieve more together.

For a better world
It is about contributing, in both the short and long term, to a fairer society, a more prosperous economy and a healthier environment.

## What our purpose means for our stakeholders

For clients, both existing and potential, it means that our focus is clear. They know who we are. They know what we stand for. They know what is important to us beyond traditional financing. And they know our promise: to deliver products and services that are personalized, relevant, on-time and seamless.

For investors, it means there is clarity behind our decisions. All initiatives are aligned with our purpose and executed with discipline.

For employees, it means that everyone – from those who advise clients, to those who research investments, to those who manage technology platforms – knows why we do what we do, and how they can contribute to our purpose and use it to drive decision making.

For society, it means that our role is broader than finance. We act responsibly and are committed to our communities, to sustainability and to supporting the world in tackling its biggest challenges.

ubs.com/purpose

# Our approach to long-term value creation

*As of or for the year ended 31 December 2021*

## What is put into the equation

Input

### Financial capital

- **15.0%** common equity tier 1 (CET1) capital ratio
- **4.24%** CET1 leverage ratio
- **5.7%** going concern leverage ratio
- **USD 104.8 billion** total loss-absorbing capacity
- **USD 45.3 billion** CET1 capital

### Relationships and intellectual capital

- **160 years** of experience in banking
- Presence in major financial centers worldwide
- **~10%** of our revenue (USD 3.9 billion) spent on technology in 2021
- Automation, simplification and digitalization of processes
- Dedicated research, differentiated insight and content offerings, and bespoke solutions

### Human capital

- **71,385** employees (FTE) in 50 countries
- **9,363** new hires in 2021 (**>1,700** in junior talent programs), and a workforce with an average of **8 years** of service
- **60%** men, **40%** women, with an aspiration for women to hold 30% of Director level and above roles by 2025
- A high-performing workforce driven to create positive impact for clients, colleagues, and their communities
- A collaborative culture and inclusive work environment
- Training and career development to help ensure employees are ready for a more agile future

### Social and natural capital

- Committed to net zero across all operations (scope 1, 2 and 3 emissions) by 2050
- **221** employees (FTE) globally work in the field of sustainability and impact
- UBS Optimus Foundation: a foundation that makes it possible to engage in impactful philanthropy, which is linked to a global wealth manager, the UBS Global Philanthropy Services team and several donor-advised fund entities
- Sustainability and climate risks standards governing client and vendor relationships worldwide
- An ISO 14001-certified environmental management system

## What we do

Business Activities

**Purpose**

Reimagining the
Connecting peo

**Client promise**

Personalized

Relevant

Seamless

On-time

**Strategic imperatives**

Clients, Connections, Contributors

Focus

**What we offer**

Wealth and asset managem
corporate and investment b

power of investing.
ple for a better world.

**Vision**

Convene THE global ecosystem for investing where thought leadership is impactful, people and ideas are connected, and opportunities are brought to life.

Technology

Simplification & Efficiency

Culture

ent services, along with personal, anking capabilities

## The results we deliver

Output

### Investors

- **USD 7.5 billion** net profit attributable to shareholders
- **USD 2.06** diluted earnings per share
- **17.5%** return on CET1 capital
- **USD 4,596 billion** invested assets
- **73.6%** cost / income ratio

### Clients

- Streamlined and simplified interactions through digital tools and platforms, such as UBS Neo, key4 and wealth management platforms
- A USD 4.6 trillion investment ecosystem, bringing thought leadership, products and investable solutions to individuals and businesses around the world
- Partnership for a seamless client service accompanying clients all through their lives
- Established procedures and policies to handle, process and incorporate feedback and any potential complaints
- Providing high-quality execution, market access and liquidity, bespoke financing, global capital markets, and portfolio solutions, delivered as one firm and with selected external partners

### Employees

- Numerous business and employer awards that highlight our innovative solutions and expertise
- A commitment to equal pay, confirmed by equal salary certifications in multiple countries
- An engaged and committed workforce, as evidenced by regular feedback and survey scores
- Women hold **26.7%** of Director and above roles
- Ethnic minorities hold **20.1%** Director and above roles in the US and **21.3%** in the UK
- **>1 million** learning activities build skills, digital and agile capabilities

### Society and environment

- **USD 251 billion** in sustainability-focus and impact investments (5.5% of total invested assets)
- **USD 11.6 billion** private clients money in SDG-related impact investments
- **USD 59 million** donated to local programs by UBS, including affiliated foundations
- **140,478 hours** invested by UBS staff in community projects (54% of hours are skills-based)
- **USD 161 million** donations raised by UBS Optimus Foundation in 2021 (including USD 14.7 million of matching funds donated by UBS)
- **100%** of electricity sourced from renewable energy

## How our stakeholders benefit

### Outcome

- **USD 0.50** proposed dividend per share for the 2021 financial year
- **USD 2.6 billion** of our shares were bought back in 2021
- We intend to buy back up to **USD 5 billion** of shares by the end of 2022

- Long-term relationships built on mutual trust and integrity
- Access to tailored financial advice, solutions and services from around the globe; striving for attractive and risk-adjusted investment performance
- Improved satisfaction through the offering of personalized, customized and relevant products and services, as well as highly appreciated and well-perceived support during the pandemic
- Services accessible across various channels – traditionally through our branches, and also increasingly through our constantly evolving remote and digital offering

- Strong talent management processes mean employees can grow and develop, building satisfying careers
- Employee flexibility, including hybrid work options, promotes engagement, increased productivity and commitment
- First wave of the Agile@UBS program that will transform how we work and increase our speed in finding solutions for clients
- Health and well-being initiatives foster resilience and ensure we maintain a cohesive culture
- Wide recognition as an employer of choice
- Commitments to fair pay and people management ensure employees have equal opportunities to achieve success

- **9.9%** exposure to carbon-related assets of our total customer lending exposure
- **92%** total reduction of our greenhouse gas footprint from the 2004 baseline year
- Almost **680,000** young people and adults across the regions in which we operate benefited from strategic community investments
- **USD 108 million** in grants by UBS Optimus Foundation to carefully selected programs
- **4.6 million** vulnerable people received support thanks to UBS Optimus Foundation

## The impact we create

### Impact

- Increased value for our investors through attractive risk-adjusted returns and sustainable performance, targeting cost- and capital-efficient growth

- An outstanding value proposition for our clients – understanding their needs and expectations, focusing on convenience and personalization, and serving their best interests are at the heart of what we do
- Securing a better future – we do this by providing funds to help finance the economic transition toward a more sustainable tomorrow
- Bridging between generations – as an organization in constant evolution, we stay relevant by adapting to the emerging needs of future generations – striving and working toward being their trusted advisor of choice

- An inclusive culture where diversity in gender, race, ethnicity and other factors is valued and appreciated
- Employees are sought-after talent as a result of our multi-faceted approach to talent development and learning
- Employees worldwide benefit from working for a high-quality, responsible employer
- A workplace that offers flexibility, career growth and holistic support for employees' health and well-being

- Impact of our net-zero commitment
- Setting standards across the industry, challenging ourselves to raise the bar and inspiring others to join
- Contributing as a taxpayer and an employer
- Within Switzerland, our size, scale and reputation contribute to economic stability and reliability
- Supporting the transition to a low-carbon world
- Helping clients and employees to maximize their philanthropic impact

# Contents

# Dear shareholders,

2021 was the second year shaped by the pandemic, which challenged and affected every aspect of society – from healthcare to economics, to politics, to human interactions. UBS's performance in 2021 speaks to our resilience, our progress and our future path. In 2022 we intend to continue making progress on our strategic goals, and we remain dedicated to our clients, shareholders, employees and society.

The current geopolitical situation has led to heightened volatility across global markets. We are shocked by the violence and tragedy caused by Russia's invasion of Ukraine. Our hearts go out to those affected and those who are suffering.

We are working to implement sanctions imposed by Switzerland, the US, the EU, the UK and others – all of which have announced unprecedented levels of sanctions against Russia and certain Russian entities and nationals. These events, together with counter-sanctions and other measures taken by Russia, will have ongoing effects on the markets and the global economy.

## 2021 backdrop and our financial performance

Despite the continuing pandemic, market conditions were constructive in 2021, with positive investor sentiment throughout the year. Growth rebounded, with the global economy expanding 6.1% after contracting 3.1% in 2020. Global equities delivered total returns of 18.5%. Economic, social and geopolitical tensions increased during the year, raising questions around the sustainability and shape of the recovery. The pandemic adversely impacted certain economic sectors, while supply chains and labor markets remained challenging. A potential resurgence in global inflation and tight labor markets in many countries could lead to more restrictive monetary policy, and this has become an additional concern for the market.

Within this environment, we delivered a strong financial performance in 2021. We had the highest pre-tax and net profit in 15 years, a 17.5% return on CET1 capital and a 14.1% return on tangible equity. We maintained our cost / income ratio under 74%, which is in line with 2020 and more than six percentage points better than the two years before that. For the second year in a row, we exceeded all our targets, with all regions and businesses contributing to our performance. We deepened our relationships with clients, resulting in high levels of activity and strong flows across all our segments. This business momentum led to our highest revenues in over a decade.

Our results included two exceptional items. The first item is a loss of USD 861 million that we incurred in the first half of 2021 on the default of a US-based client of our prime brokerage business. We have conducted a thorough review, we have put in place appropriate measures to strengthen our relevant risk management processes, and we have reflected the matter in our annual performance assessment and compensation processes. The second item occurred in the fourth quarter of 2021, when we took additional provisions of EUR 650 million, bringing the total to EUR 1.1 billion for the French cross-border matter. As announced in December 2021, we have filed an appeal with the French Supreme Court regarding the decision of the Court of Appeal. This enables us to thoroughly assess the verdict of the Court of Appeal and to determine the next steps in the best interests of our stakeholders.

## Our purpose and strategic direction

In 2021, we reconfirmed and continued to implement our strategy. Last April, we introduced our purpose "Reimagining the power of investing. Connecting people for a better world," which unites all of UBS behind a common goal. It´s the starting point for every strategic decision; it will shape our future, help us capture opportunities and allow us to grow from our already strong position.

Our vision is to convene THE global ecosystem for investing: where thought leadership is impactful, people and ideas are connected, and opportunities are brought to life. In order to achieve this vision, we identified five strategic imperatives: (i) supporting, growing and aligning our network of clients, connections and contributors; (ii) increasing our focus by playing where we are positioned to win; (iii) enabling technology and making it our differentiator; (iv) becoming simpler and more efficient so it is easier for our clients to bank with us; and (v) mobilizing employees behind our vision and acting as one firm.

## Supporting clients, society and employees

We retained our clients' trust as they continued to turn to us for our content, advice and solutions. This resulted in USD 107 billion in net new fee-generating assets in wealth management and USD 48 billion of net new money in Asset Management. We also helped clients finance businesses, homes and other liquidity needs by extending USD 28 billion of net new loans to clients across wealth management and personal banking. We now manage over USD 4.6 trillion in assets on behalf of our clients. And we increased our philanthropic activities, both with and for clients and as a firm.

At UBS, we are committed to supporting the communities in which we work, to understand the issues they face, and develop long-term partnerships to catalyze positive change in people's lives. We focus our efforts on social inequalities by supporting education and skills development as areas where we can drive sustainable change. We also enable our employees to support their communities through volunteering by partnering with organizations such as Powercoders in Switzerland, which trains refugees in computer science and information technology skills. The pandemic meant we continued to provide COVID-19 relief to the most vulnerable in 2021, including recovery and rebuilding efforts through our community partners. Currently, to help victims of the war in Ukraine, UBS Optimus Foundation and our Community Impact teams are providing emergency relief to refugees through the International Rescue Committee and are matching the first USD 5 million of donations from employees and clients, creating a combined impact of USD 10 million.

**Axel A. Weber**
Chairman of the Board of Directors

**Ralph A.J.G. Hamers**
Group Chief Executive Officer

Due to the ongoing pressure placed on employees by closures, restrictions and lockdowns, we implemented new ways to help employees through these difficult times. We offered tools and resources to support employees' physical, mental and social well-being, and provided extra flexibility for child and elderly care. As a result of our experience during the pandemic, we are developing more permanent ways of flexible working for our employees, while supporting a safe return to our offices as economies reopen.

We believe a hybrid approach will support a better work / life balance and make us a more attractive employer, appealing to a more diverse pool of applicants, such as working parents, caregivers and those in continuing education. Moreover, flexible working, by the nature of its emphasis on technology and virtual collaboration, encourages an innovative mindset across our firm – which is a big part of our strategy. In addition, we are reshaping our future real estate footprint, reducing the number of buildings and square meters we occupy, while also investing in our locations to reimagine our workplace and support our sustainability ambitions.

## Capturing growth opportunities

After introducing our purpose and strategy on a page, we took steps to ensure UBS is well positioned to capture the areas we see as having the greatest growth potential. For example, regionally, we expect most wealth will be created in the US and Asia Pacific. As a result, we have identified these as key growth markets and we have prioritized investments in those regions. EMEA continues to be a core region for us and important to our global footprint, and a region where we can improve profitability and drive focused growth. And in Switzerland, we are further building on our position as a digital leader.

Affluent clients and entrepreneurs are expected to generate high revenue growth. So we are also expanding into new segments to reach a much broader set of clients. Our plans to acquire Wealthfront, announced in January 2022, will help us deliver a digital wealth management offering to Millennial and Gen Z affluent investors in the US, allow us to expand our wallet share, lower the cost to serve and drive long-term growth.

Technology plays a large part in how we grow and deliver the personalized, relevant, on-time and seamless services that clients expect. That is why we are further investing in digitalization, including artificial intelligence, data and analytics – areas we have already been building up for years. We will digitalize what can be made digital and become more agile to deliver faster. While not increasing our total expenditure on technology, we are increasing the amount we spend on our strategic priorities. Our aim is to deliver around USD 1 billion in-year gross cost saves by 2023 in order to fund our growth initiatives.

## Leading in sustainability – our path to Net Zero

Over the years, UBS has established itself as a recognized leader for sustainability in the financial sector. Recent ratings such as the Dow Jones Sustainability Index and CDP have reconfirmed this. To maximize impact and direct capital to where it is needed most, we focus on three areas: (i) Planet, where we are making climate a clear priority as we shift toward a lower carbon future; (ii) People, where we are taking action, both within our own workplace and within wider society, to promote a diverse, equitable and inclusive society; and (iii) Partnerships, where we are uniting with others and bringing people together around common goals to achieve greater impact. To meet our impact goals, we started assigning all Group Executive Board members environmental, social and governance (ESG)-related objectives in 2021.

Sustainability is not just something we focus on because we think it is the right thing to do. We also have a duty: to help private clients protect and grow their wealth, to help firms transition to sustainable ways of doing business, to ensure clients' long-term success and to support them in fulfilling their responsibility to society. We strongly believe that this is the best way to remain profitable and attractive to clients, investors and talent in the long term. We are seeing an ever-increasing demand in sustainable investing – invested assets in sustainability-focus and impact strategies increased 78% in 2021 – and we will continue to meet this need by growing our offering.

In 2021, we published our Net-Zero and Beyond statement, which sets out our commitment to transition our firm to net zero and help our clients meet their transition targets by 2050. We have developed and are transparently disclosing a climate road map with intermediate targets for 2025, 2030 and 2035. The "Say-on-Climate" advisory vote at the upcoming Annual General Meeting (the AGM) is a key milestone on our journey to net zero, reflecting our commitment to our shareholders having their say on our firm's climate roadmap. Furthermore, we strongly believe in cross-company and cross-industry collaboration when it comes to achieving net zero. As such, we are a founding member of both the Net Zero Asset Managers Initiative and the Net-Zero Banking Alliance.

## Updated targets and ambitions to create value across stakeholders

We are aiming to create sustainable value through the cycle. Reflecting our improved operating performance over the last two years, we updated our financial targets and kept our capital guidance unchanged, including deploying up to one-third of Group risk-weighted assets (RWA) and leverage ratio denominator (LRD) in the Investment Bank. In addition, we outlined selected commercial and ESG aspirations to support the achievement of these targets.

First, for society at large, we are committed to building a better world through our sustainability focus and the numerous commitments you can find in our 2021 Annual and Sustainability Reports. For example, we aim to reach net-zero emissions across our business by 2050 and net-zero emissions resulting from our own operations by 2025. We will also help our clients do good, as we aspire to raise USD 1 billion in philanthropy assets to reach 25 million beneficiaries and we are targeting USD 400 billion in sustainability-focus and impact investments by 2025.

Second, for our clients, we will assess how we are doing through our commercial aspirations. We are optimistic that we can maintain growth rates from net new fee-generating assets of 5% and above over the cycle. As a result, we aspire to surpass USD 5 trillion, and then USD 6 trillion, in invested assets as clients entrust us with managing their investments.

And third, we are targeting a 15–18% return on CET1 capital. This is significantly higher than our previous target range and reflects the progress we have made over the last two years. To consistently achieve this, we are targeting a cost / income ratio of 70–73%. We have ambitious growth plans across our franchise and are retaining our target to grow profits in global wealth management by 10–15% over the cycle.

## Our capital returns today and in the future

Reflecting the step-up in profitability, we are proposing to increase the dividend to USD 0.50 per share for the 2021 financial year, and to have a progressive cash dividend thereafter. Additional excess capital will be used to buy back our shares, and we repurchased USD 2.6 billion of shares in 2021. Given our strong capital position, we are looking to repurchase up to USD 5 billion in 2022.

## Proposed elections to the Board of Directors

Axel A. Weber is reaching the ten-year term limit set in our Organization Regulations as the Chairman of the Board and will therefore be stepping down in April 2022. On 20 November 2021, the Board of Directors of UBS Group AG announced that it will nominate Colm Kelleher as the new Chairman and Lukas Gähwiler as the new Vice Chairman for election to the Board at the AGM on 6 April 2022.

## Virtual AGM in 2022

To protect the health of shareholders and employees, in light of the COVID-19 pandemic and continued uncertainty, the Board of Directors has decided that the 2022 AGM will be held as a webcast. As such, it will not be possible to physically attend the AGM. Nevertheless, we look forward to your feedback and to welcoming you to this year's virtual AGM on 6 April.

Thank you for your ongoing support.

Yours sincerely,

Axel A. Weber
Chairman of the
Board of Directors

Ralph A.J.G. Hamers
Group Chief Executive Officer

## Corporate information

**UBS Group AG** is incorporated and domiciled in Switzerland and operates under Art. 620ff. of the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11, and its corporate identification number is CHE-395.345.924. UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group. UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN: CH0244767585; CUSIP: H42097107). UBS Group AG owns 100% of the outstanding shares of UBS AG.

**UBS AG** is incorporated and domiciled in Switzerland and operates under Art. 620ff. of the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. The addresses and telephone numbers of the two registered offices of UBS AG are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 50 50. The corporate identification number is CHE-101.329.561. UBS AG is a bank. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded in 1862) and Swiss Bank Corporation (founded in 1872) merged to form UBS AG.

## Contacts

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## Corporate calendar UBS Group AG

| | |
|---|---|
| Publication of the Sustainability Report 2021: | Friday, 11 March 2022 |
| Annual General Meeting 2022 (webcast): | Wednesday, 6 April 2022 |
| Publication of the first quarter 2022 report: | Tuesday, 26 April 2022 |
| Publication of the second quarter 2022 report: | Tuesday, 26 July 2022 |
| Publication of the third quarter 2022 report: | Tuesday, 25 October 2022 |

## Corporate calendar UBS AG

| | |
|---|---|
| Publication of the first quarter 2022 report: | Friday, 29 April 2022 |
| Publication of the second quarter 2022 report: | Friday, 29 July 2022 |

Additional publication dates of quarterly and annual reports will be made available as part of the corporate calendar of UBS AG at ubs.com/investors.

## Imprint

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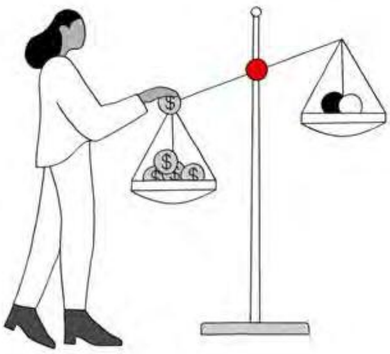
Language: English

# Highlights of the 2021 financial year

We demonstrated a strong performance across our business units and geographical regions throughout the 2021 financial year.

## Group results



USD billion

**7.5**

Net profit attributable to shareholders

(2020: USD 6.6 billion)

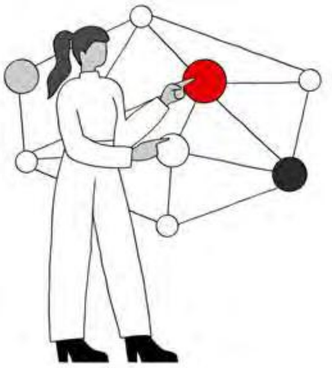
USD

**2.06**

Diluted earnings per share

(2020: USD 1.77)

## Resources



USD trillion

**1.1**

Total assets

(2020: USD 1.1 trillion)

USD billion

**60.7**

Equity attributable to shareholders

(2020: USD 59.4 billion)

## Profitability

%

**17.5**

Return on common equity tier 1 capital

(2020: 17.4%)

%

**14.1**

Return on tangible equity

(2020: 12.8%)

# Our key figures

| | As of or for the year ended | | |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19[1] |
| Group results | | | |
| Operating income | 35,542 | 32,390 | 28,889 |
| Operating expenses | 26,058 | 24,235 | 23,312 |
| Operating profit / (loss) before tax | 9,484 | 8,155 | 5,577 |
| Net profit / (loss) attributable to shareholders | 7,457 | 6,557 | 4,304 |
| Diluted earnings per share (USD)[2] | 2.06 | 1.77 | 1.14 |
| Profitability and growth[3] | | | |
| Return on equity (%) | 12.6 | 11.3 | 7.9 |
| Return on tangible equity (%) | 14.1 | 12.8 | 9.0 |
| Return on common equity tier 1 capital (%) | 17.5 | 17.4 | 12.4 |
| Return on risk-weighted assets, gross (%) | 12.0 | 11.7 | 11.0 |
| Return on leverage ratio denominator, gross (%)[4] | 3.4 | 3.4 | 3.2 |
| Cost / income ratio (%) | 73.6 | 73.3 | 80.5 |
| Effective tax rate (%) | 21.1 | 19.4 | 22.7 |
| Net profit growth (%) | 13.7 | 52.3 | (4.7) |
| Resources[3] | | | |
| Total assets | 1,117,182 | 1,125,765 | 972,194 |
| Equity attributable to shareholders | 60,662 | 59,445 | 54,501 |
| Common equity tier 1 capital[5] | 45,281 | 39,890 | 35,535 |
| Risk-weighted assets[5] | 302,209 | 289,101 | 259,208 |
| Common equity tier 1 capital ratio (%)[5] | 15.0 | 13.8 | 13.7 |
| Going concern capital ratio (%)[5] | 20.0 | 19.4 | 20.0 |
| Total loss-absorbing capacity ratio (%)[5] | 34.7 | 35.2 | 34.6 |
| Leverage ratio denominator[4,5] | 1,068,862 | 1,037,150 | 911,322 |
| Common equity tier 1 leverage ratio (%)[4,5] | 4.24 | 3.85 | 3.90 |
| Going concern leverage ratio (%)[4,5] | 5.7 | 5.4 | 5.7 |
| Total loss-absorbing capacity leverage ratio (%)[5] | 9.8 | 9.8 | 9.8 |
| Liquidity coverage ratio (%)[6] | 155 | 152 | 134 |
| Net stable funding ratio (%)[6] | 119 | 119 | 111 |
| Other | | | |
| Invested assets (USD billion)[7] | 4,596 | 4,187 | 3,607 |
| Personnel (full-time equivalents) | 71,385 | 71,551 | 68,601 |
| Market capitalization[8] | 61,230 | 50,013 | 45,661 |
| Total book value per share (USD)[8] | 17.84 | 16.74 | 15.07 |
| Total book value per share (CHF)[8] | 16.27 | 14.82 | 14.59 |
| Tangible book value per share (USD)[8] | 15.97 | 14.91 | 13.28 |
| Tangible book value per share (CHF)[8] | 14.56 | 13.21 | 12.86 |

1 Refer to the "Accounting and financial reporting" and "Consolidated financial statements" sections of this report for information about the restatement of comparative information, where applicable. 2 Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. 3 Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance targets. 4 Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 5 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 6 The final Swiss net stable funding ratio (NSFR) regulation became effective on 1 July 2021. Prior to this date, the NSFR was based on estimated pro forma reporting. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 7 Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information. 8 Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information.

**Alternative performance measures**

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in the discussion of the financial and operating performance of the Group, our business divisions and our Group Functions. We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented under "Alternative performance measures" in the appendix to this report. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

**Terms used in this report, unless the context requires otherwise**

| | |
|---|---|
| "UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our" | UBS Group AG and its consolidated subsidiaries |
| "UBS AG consolidated" | UBS AG and its consolidated subsidiaries |
| "UBS Group AG" and "UBS Group AG standalone" | UBS Group AG on a standalone basis |
| "UBS AG" and "UBS AG standalone" | UBS AG on a standalone basis |
| "UBS Switzerland AG" and "UBS Switzerland AG standalone" | UBS Switzerland AG on a standalone basis |
| "UBS Europe SE consolidated" | UBS Europe SE and its consolidated subsidiaries |
| "UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated" | UBS Americas Holding LLC and its consolidated subsidiaries |

In this report, unless the context requires otherwise, references to any gender shall apply to all genders.

# Our Board of Directors

The Board of Directors (the BoD) of UBS Group AG, under the leadership of the Chairman, consists of between 6 and 12 members as per our Articles of Association. The BoD decides on the strategy of the Group upon recommendation by the Group Chief Executive Officer (the Group CEO) and is responsible for the overall direction, supervision and control of the Group and its management, as well as for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries and is responsible for establishing a clear Group governance framework to provide effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls, approves all financial statements for issue, and appoints and removes all Group Executive Board (GEB) members.

**1** **Axel A. Weber**
Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee / Chairperson of the Governance and Nominating Committee

**2** **Fred Hu**
Member of the Governance and Nominating Committee / member of the Risk Committee

**3** **Claudia Böckstiegel**
Member of the Board of Directors

**4** **Patrick Firmenich**
Member of the Audit Committee / member of the Corporate Culture and Responsibility Committee

**5** **Reto Francioni**
Member of the Compensation Committee / member of the Risk Committee

**6** **Jeremy Anderson**
Vice Chairman and Senior Independent Director / Chairperson of the Audit Committee / member of the Governance and Nominating Committee

**7** **Julie G. Richardson**
Chairperson of the Compensation Committee / member of the Governance and Nominating Committee / member of the Risk Committee

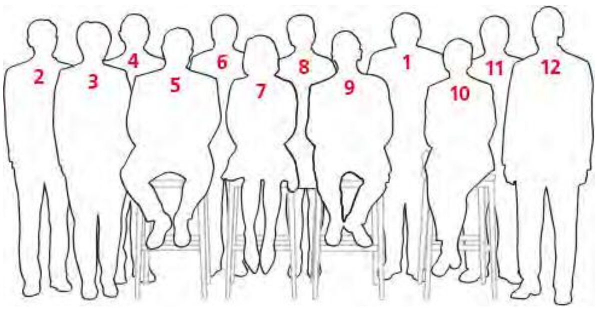
**8** **Nathalie Rachou**
Member of the Risk Committee

**9** **William C. Dudley**
Member of the Corporate Culture and Responsibility Committee / member of the Governance and Nominating Committee / member of the Risk Committee

**10** **Jeanette Wong**
Member of the Audit Committee / member of the Compensation Committee / member of the Corporate Culture and Responsibility Committee

**11** **Mark Hughes**
Chairperson of the Risk Committee / member of the Corporate Culture and Responsibility Committee

**12** **Dieter Wemmer**
Member of the Audit Committee / member of the Compensation Committee / member of the Governance and Nominating Committee



# Our Group Executive Board

**1 Ralph A.J.G. Hamers**
Group Chief Executive Officer

**2 Mike Dargan**
Group Chief Digital and Information Officer

**3 Tom Naratil**
Co-President Global Wealth Management and
President UBS Americas

**4 Christian Bluhm**
Group Chief Risk Officer

**5 Sabine Keller-Busse**
President Personal & Corporate Banking and
President UBS Switzerland

**6 Edmund Koh**
President UBS Asia Pacific

**7 Markus Ronner**
Group Chief Compliance and Governance Officer

**8 Suni Harford**
President Asset Management

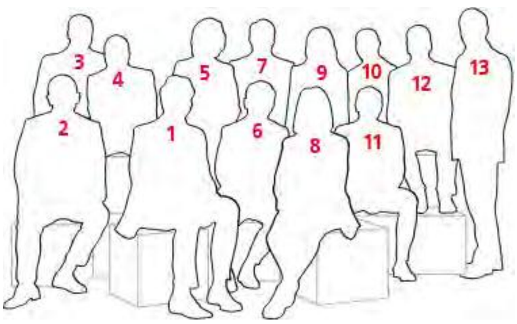
**9 Barbara Levi (since 1 November 2021)**
Group General Counsel

**10 Robert Karofsky**
President Investment Bank

**11 Iqbal Khan**
Co-President Global Wealth Management and
President UBS Europe, Middle East and Africa

**12 Kirt Gardner**
Group Chief Financial Officer

**13 Markus U. Diethelm (until 31 October 2021)**
Group General Counsel



UBS Group AG operates under a strict dual board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the business to the GEB. Under the leadership of the Group CEO, the GEB was comprised of 12 members as of 31 December 2021 and has executive management responsibility for the steering of the Group and its business. It assumes overall responsibility for developing the strategies of the Group, the business divisions and Group Functions, and implements the BoD-approved strategies.

› **Refer to "Board of Directors" and "Group Executive Board" in the "Corporate governance" section of this report or to *ubs.com/bod* and *ubs.com/geb* for the full biographies of our BoD and GEB members**

# Our evolution

Since our origins in the mid-19th century, many financial institutions have become part of the history of our firm and helped shape our development. 1998 was a major turning point: two of the three largest Swiss banks, Union Bank of Switzerland and Swiss Bank Corporation (SBC), merged to form UBS. Both banks were well established and successful in their own right. Union Bank of Switzerland had grown organically to become the largest Swiss bank. In contrast, SBC had grown mainly through strategic partnerships and acquisitions, including S.G. Warburg in 1995.

In 2000, we acquired PaineWebber, a US brokerage and asset management firm with roots going back to 1879, establishing us as a significant player in the US. Over the past 50 years, we have also built a strong presence in the Asia Pacific region, where we are the largest private bank[1], with access to asset management and investment banking capabilities.

After incurring significant losses in the 2008 financial crisis, we started a strategic transformation in 2011 toward a business model focused on our traditional businesses: wealth management, and personal and corporate banking in Switzerland. We sought to revert to our roots, emphasizing a client-centric model that requires less risk-taking and capital, and we successfully completed that transformation.

Today, we are a leading truly global wealth manager,[2] with over USD 3.3 trillion in invested assets, a leading Swiss personal and corporate bank, a large-scale and diversified global asset manager, and a focused investment bank.

In 2014, we began adapting our legal entity structure in response to too-big-to-fail requirements and other regulatory initiatives. First, we established UBS Group AG as the ultimate parent holding company for the Group. In 2015, we transferred personal and corporate banking and Swiss-booked wealth management businesses from UBS AG to the newly established UBS Switzerland AG. That same year we set up UBS Business Solutions AG as the Group's service company. In 2016, UBS Americas Holding LLC became the intermediate holding company for our US subsidiaries and our wealth management subsidiaries across Europe were merged into UBS Europe SE. In 2019, we merged UBS Limited, our UK-headquartered subsidiary, into UBS Europe SE, our Germany-headquartered European subsidiary.

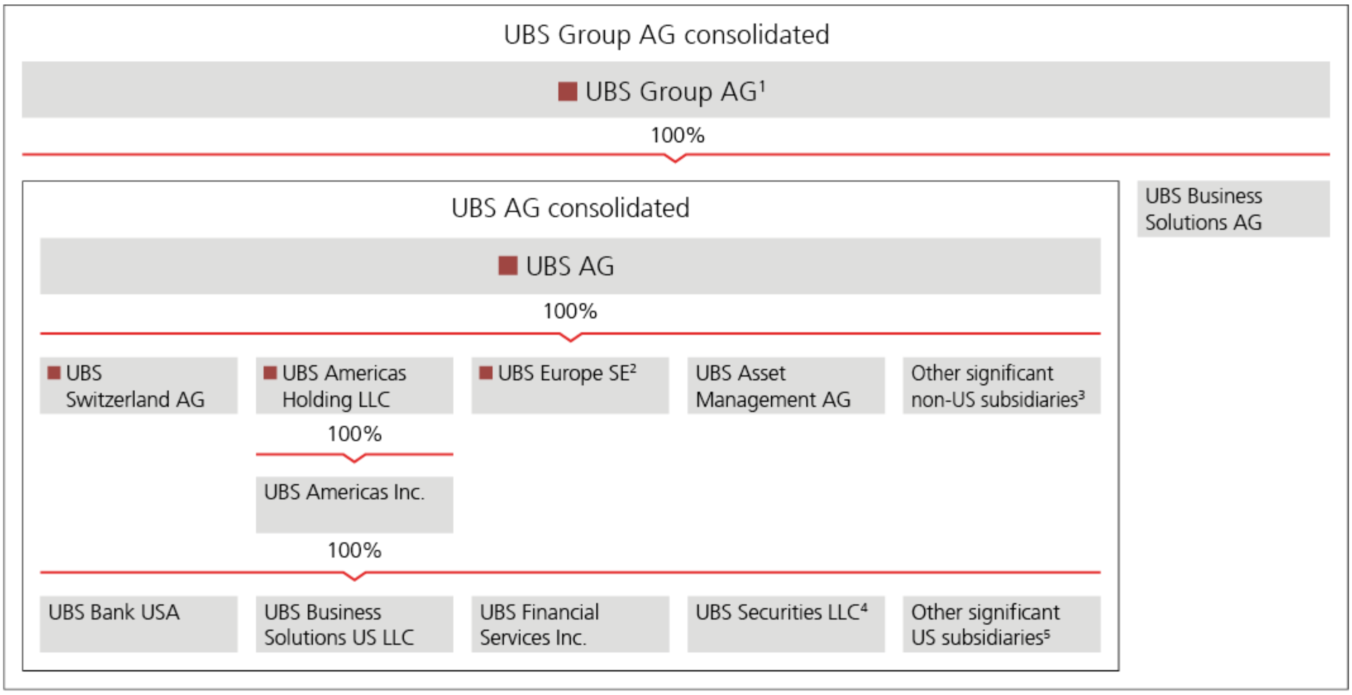
The chart below gives an overview of our principal legal entities and our legal entity structure.

› **Refer to *ubs.com/history* for more information**

› **Refer to the "Risk factors" and "Regulatory and legal developments" sections of this report for more information**

1 Digital Wealth Management in Asia Pacific, KPMG 2021.
2 Statements of market position for Global Wealth Management are based on UBS's internal estimates and publicly available information about competitors' invested assets.

## The legal structure of the UBS Group




■ Holding company and significant regulated subsidiaries and sub-groups subject to disclosure in UBS Group AG annual and quarterly reporting.

1 Refer to "Note 29 Interests in subsidiaries and other entities" in the "Consolidated financial statements" section of this report for more information about UBS's subsidiaries, including individually significant subsidiaries and sub-groups. 2 UBS Limited was merged into UBS Europe SE effective 1 March 2019. 3 Other significant non-US subsidiaries are generally held either directly by UBS AG or indirectly through UBS Switzerland AG or UBS Asset Management AG. 4 Of which 99% directly held by UBS Americas Inc. and 1% held by UBS Americas Holding LLC. 5 Other significant US subsidiaries are generally held either directly by UBS Americas Inc. or indirectly through UBS Financial Services Inc.

# Our strategy, business model and environment

Management report

1

# Our strategy

## Our purpose

As the world's leading wealth manager,[1] we have an opportunity to make a difference for our clients, our employees, and society at large.

It all starts with our purpose: **Reimagining the power of investing. Connecting people for a better world.** Our purpose unites us behind a common goal, provides direction on the way forward and helps us build on our strengths.

We will reimagine the power of investing by developing solutions that change how people look at finance and investing.

The power of investing can support achieving one's personal aspirations, whether through buying a home, growing a company, supporting future financial goals or having an impact.

We will connect people, both internally and externally, to convene an ecosystem where ideas and opportunities come together to be successful and to make a difference.

We will help build a better world by thinking sustainably and creating opportunities that help reduce, rather than contribute to, inequalities.

## Sustainability is at the core of our purpose

We know finance has a powerful influence on the world. At UBS, we are reimagining the power of people and investments, to help create a better world for everyone: a fairer society, a more prosperous economy and a healthier environment. We are partnering with our clients to help them mobilize their capital toward a more sustainable world. It is why we have put sustainability at the heart of our own purpose. To help us maximize our impact and direct capital to where it is needed most, we are focusing on three key areas to drive the sustainability transition: planet, people, partnerships.

*Planet:* We are making climate a clear priority as we shift toward a lower-carbon future. We will provide transparency on our milestones along the way to make sure our progress can be tracked. We are not only focused on our own journey; we are also supporting our clients in their own transitions.

*People:* Through our interactions, we are working to address wealth inequality, sharpening the focus of our client and corporate philanthropy, and our employee-led community affairs activities centered on health and education.

*Partnerships:* By working in partnership with other thought leaders and standard setters, our goal is to make an impact on a truly global scale. To create change, we realize that all of us have to unite around common goals. That is why we engage with regulators, policymakers and others to create standards and support research and development across the financial sector.

## Our promise to our clients

Helping clients to achieve their financial goals is the essence of what we do. We aim to differentiate our service by delivering a client experience that is:

– **Personalized:** Our products and services are as personal as our clients' needs.
– **Relevant:** What we deliver to our clients is relevant and matters to them.
– **On-time:** Clients set the pace and can act on opportunities anytime and anywhere.
– **Seamless:** Interacting with us is simple, seamless, and intuitive.

[1] Based on Euromoney's Award for Excellence, published on 10 September 2021: *euromoney.com/article/28teruws4k57c6h8c83k3/awards/awards-for-excellence/worlds-best-bank-for-wealth-management-2021-ubs*.

## Convening THE global ecosystem for investing

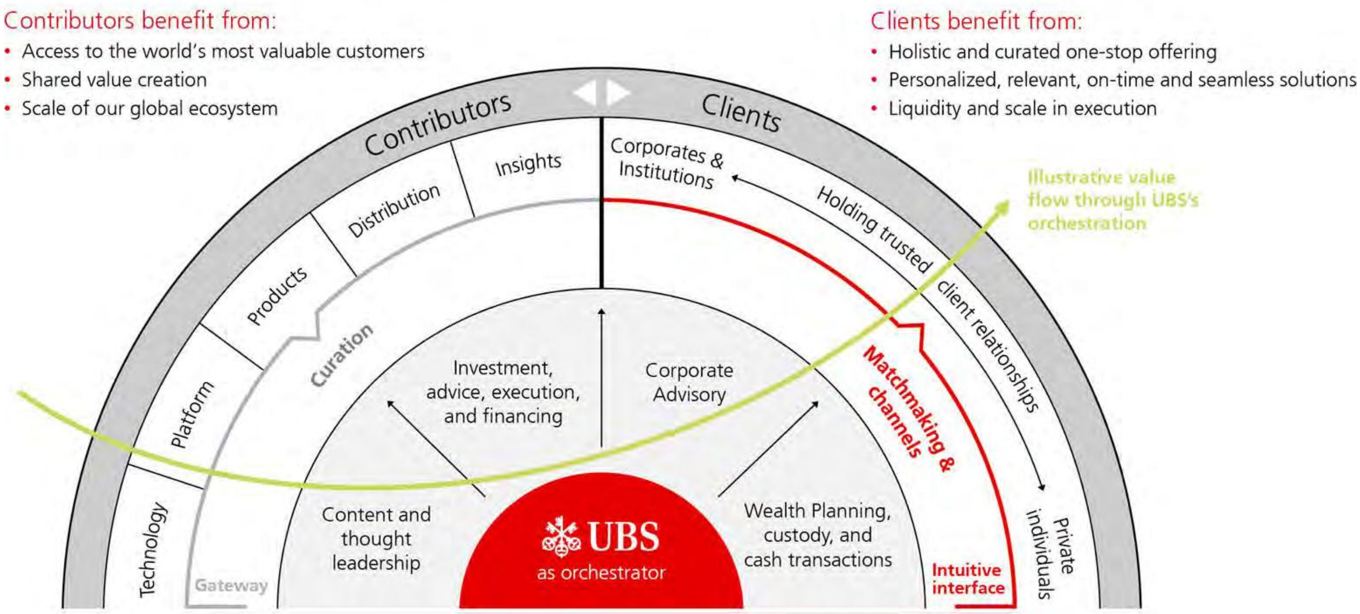
We are at our best when our clients are able to access all of UBS through a single relationship, to get a differentiated, personalized experience, and when they are connected to other areas of the firm, to providers, and to other clients with similar goals.

With our global footprint and USD 4.6 trillion in invested assets, combined with our thought leadership, we not only attract clients, but are also interesting to external contributors.

We are uniquely positioned to be the orchestrator of this ecosystem. We are a gateway to a large and diverse client base, we have strong relationships with contributors and we are a thought leader in the industry. This positions us to curate offerings and opportunities in the ecosystem, while leveraging our networks, data, and analytics, to provide ultimate matchmaking between clients and contributors.

That is why our vision is to convene THE global ecosystem for investing – where thought leadership is impactful, people and ideas are connected, and opportunities are brought to life.

**Our global ecosystem delivers the power of investing to our clients**



## Our strategic imperatives

Five strategic imperatives will help us deliver on our strategy, bring our purpose to life, fulfill our client promise and achieve our vision. Behind these are a set of initiatives that will develop UBS along our strategic direction.

**Clients, connections, contributors – delivering the power of investing**
UBS is a firm that attracts clients, employees and thought leaders who have the power to enable change and bring ideas to life, and who have capacity to do a lot of good. By bringing the best of UBS to our clients in a seamless experience, growing our ecosystem and encouraging connections across it, we can deliver the full power of investing to our clients. Client needs can be more broadly met. Our clients and the trust they place in us will be put at the center of everything we do. Clients will benefit from having us as a trusted guide and thought partner, having all our products and services available at their fingertips and getting a differentiated and personalized experience.

**Focus – play where we are positioned to win**
We intend to maintain our position as a leading global wealth manager and to build on this strength. We will prioritize our efforts where we can add the most value and make a difference. To achieve this we are working to reduce duplication and reallocate resources as necessary, all while growing our position as the world's leading wealth manager.

**Technology – make technology our differentiator**
We will use our investments in technology to deliver a seamless client experience as part of our client promise. We have been building our technology foundations over past years. We will move forward by focusing on how clients experience UBS every day, becoming more agile and focusing on outcomes through a modular approach. With this mind, we intend to transform the way we use and consider technology, thinking about it as a differentiator for us.

**Simplification and efficiency – increase ease of doing business and enable our journey**
We can make it easier for our clients to do business with us, as well as for our employees to make decisions and take responsibility. We intend to further streamline and standardize our functions, processes, entities and general ways of doing business to increase efficiency and increase capacity to invest for future growth.

**Culture – mobilize employees behind our future vision and act as one firm**
We already have a strong, inclusive culture, grounded in our three keys to success: our Pillars, Principles and Behaviors. We will further strengthen our culture so we can do more and do it better. Our purpose will unite us. We will act as one firm, with common values and ambitions. In order to be successful on our journey, we will further develop our cultural priorities.

# Leveling up technology

## Introduction

The world is faster, more digital and more data-driven than ever before, with clients increasingly demanding services that are digital first, anytime and anywhere, and underpinned by first-class technology. In addition, the financial industry ecosystem is constantly evolving, becoming even more competitive, open, connected and location-independent every day.

This presents an opportunity for us to fully embrace technology and make it a differentiator for our firm. Doing so is central to our client promise to deliver a client experience that is personalized, relevant, on-time and seamless.

To support our ambitions, we have appointed a Group Chief Digital and Information Officer to the Group Executive Board. To guide our digital transformation and to enhance the way we live up to our client promise, we have also established a Leveling up strategy based on five key pillars: Agile@UBS; quarterly business reviews and digital roadmaps; modern tech; automation; and engineering excellence (digital culture).

## Agile@UBS

In order to deliver digital solutions faster and remain responsive and adaptable, we are introducing a unified agile approach across the whole firm.

To support this, we have developed a robust framework and rollout plan, which includes clearly defined role profiles, a bespoke playbook and a dedicated academy training suite.

Currently, we have 10,000 employees across the firm transitioning to the new Agile@UBS ways of working and we expect this to increase to more than 20,000 by the end of 2022. Relevant resources and training will also be available to all staff, enabling everyone to apply agile principles to their work, thereby helping to deliver an even better client experience.

## Quarterly business reviews and digital roadmaps

Quarterly business reviews (QBRs) and digital roadmaps help us to manage our technology investment portfolio in a more strategic and flexible way. The QBRs serve as a forum to agree on the most important objectives that align with our strategy and are intended to ensure we deliver more frequent and valuable outcomes for our clients. The digital roadmaps help us to keep investment and design decisions aligned to our client promise and our longer-term vision.

## Modern tech

We believe the bank of the future will leverage a lean, modern tech estate and Cloud-based applications. Modern tech makes a shorter time to market possible, removes dependencies, accelerates digitalization and facilitates connection with the financial industry ecosystem to provide better and faster client services.

In line with our modern tech ambitions, we migrated over 1,000 applications to the Cloud during 2021 and established a governance framework to identify and decommission legacy technologies.

## Automation

To achieve our vision, we are building a best-on-street development and technology operations experience, powered by modern development tools and automation techniques.

We have also introduced a new Artificial Intelligence, Data and Analytics (ADA) center of expertise. ADA will bring together data scientists and analytics experts from across the firm to ensure a consistent firm-wide approach to these topics. ADA will also help empower our strategy and ecosystem, using AI and machine learning for the benefit of our clients.

## Engineering excellence (digital culture)

To succeed in making technology a differentiator for our firm, we must attract and retain the best engineers, which is only possible by creating and fostering an engineering and digital culture of excellence. Best-in-class tech learning journeys and curricula for our engineers, a respected Certified and Distinguished Engineers framework, an effective hiring strategy, and targeted competency assessments and development plans for our technical staff will be implemented to support this ambition.

› **Refer to the "Our businesses" section of this report for more information about how we deploy our technology approach in our businesses**

# Targets, aspirations and capital guidance

We aim to create sustainable value through the cycle. Reflecting our improved operating performance over the last two years, in February 2022 we updated our financial targets, which had previously been set in January 2020.

In addition, we have outlined selected commercial and environmental, social and governance (ESG) aspirations, which support these targets.

Our capital guidance remains unchanged. We intend to operate with a CET1 capital ratio of around 13% and a CET1 leverage ratio of greater than 3.7%. The Investment Bank is expected to represent up to one-third of Group risk-weighted assets (RWA) and liquidity ratio denominator (LRD).

Performance against targets, aspirations and capital guidance is taken into account when determining variable compensation.

The table below shows our updated financial targets and aspirations, based on reported results.

› **Refer to "Society" and "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section and to the "Corporate governance" section of this report for more information about ESG**

› **Refer to the "Compensation" section of this report for more information about variable compensation**

› **Refer to "Alternative performance measures" in the appendix to this report for definitions of and further information about our performance measures**

**Targets and aspirations**

## ESG
Selected aspirations

**Net-zero**
own operations
(scopes 1 and 2) by 2025

**USD 235 billion invested assets**
aligned to net zero
by 2030, Asset Management

**USD 1 billion philanthropy donations**
to reach 25 million beneficiaries
raised by 2025

**USD 400 billion invested assets**
in sustainability-focus and impact
investing[1] by 2025

## Commercial
Selected aspirations

**More than USD 6 trillion**
invested assets across Global Wealth Management, Asset Management and Personal & Corporate Banking

**More than 5% growth[2]**
in net new fee-generating assets
of Global Wealth Management

## Financial
Targets

**15–18%**
return on CET1 capital

**70–73%**
cost / income ratio

**10–15%[2]**
growth in Global Wealth Management profit before tax

1 Sustainability-focus and impact investing: sustainability focus is strategies where sustainability is an explicit part of the investment guidelines, universe, selection, and / or investment process; impact investing is strategies that have an explicit intention to generate measurable, verifiable, positive sustainability outcomes. Impact generated is attributable to investor action and / or contribution. 2 Over the cycle.

# Our businesses

## Delivering one ecosystem

We operate through four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. Our global reach and the breadth of our expertise are major assets setting us apart from our competitors.

We see joint efforts as key to our growth, both within and between business divisions. We aim to unlock the power of one UBS through our innovative solutions and differentiated offerings.

We are at our best when we combine our strengths to provide our clients more comprehensive and better solutions through, for example, a Unified Global Markets team across Global Wealth Management and the Investment Bank, and a Global Family Office joint venture. Initiatives such as the *Group Franchise Awards* encourage employees to look for ways to connect across teams and offer the whole firm to our clients.

**How we deliver the whole firm to our clients – examples**

| | |
|---|---|
| **Wealth management platforms** | In all locations outside the Americas, we utilize the Wealth Management Platform, which is shared between Global Wealth Management and Personal & Corporate Banking in Switzerland. This platform can be navigated intuitively and supports strong advice capabilities across all channels, helping our clients to benefit from a broader universe of products and services, simplified onboarding, and a better banking experience. In the Americas, our clients benefit from the Wealth Management Americas Platform, as well as our innovative partnership with Broadridge, which is aimed at improving productivity and the user experience by revamping the technology used for our advisors' workstations. |
| **Separately managed accounts** | In the US, we combined portfolio management and execution resources within Asset Management during 2020. Alongside this, we introduced a new approach where Global Wealth Management clients can access selected separately managed account (SMA) strategies in the Americas with no additional management fees. This transformative move allows our advisors to focus on delivering the best ideas, solutions and capabilities to our clients, regardless of where they originate in the firm. |
| **Shifts and referrals** | To ensure that our clients are best served according to their needs and foster growth by offering a universal bank delivery model in Switzerland, we have introduced a holistic collaboration framework for Personal & Corporate Banking. We systematically initiate client shifts from Personal Banking to Global Wealth Management when the clients' investing needs become sufficiently complex. In addition, we encourage our client advisors to continuously generate leads for services provided by other business divisions. Typical examples are corporate and institutional clients being introduced to Asset Management for mandate solutions or to the Investment Bank for capital market transactions, thus providing access to our global expertise, and entrepreneurs being introduced to Global Wealth Management, ensuring holistic coverage of their corporate and private needs. |
| **Global Family Office** | Our Global Family Office unit brings together the capabilities of Global Wealth Management, Asset Management and the Investment Bank to leverage growth opportunities and deliver holistic solutions. It provides customized, institutional-style services to wealthy families and individuals seeking access to equity markets and advisory services, and assisting clients with raising capital from public and private markets. |
| **Global Lending Unit** | As a further step in serving the financing and lending needs of all UBS clients worldwide, we set up a division-agnostic Global Lending Unit in 2020. Its key objective is delivering lending capabilities to clients of both the Investment Bank and Global Wealth Management. The unit provides product expertise to clients through collaboration with Investment Bank bankers and Global Wealth Management advisors. It is organized with a regional focus by grouping existing regional resources and competencies to best serve respective markets and clients. |
| **Unified Global Markets team** | We are continuing to develop a strategic partnership between Global Wealth Management and the Investment Bank that is focused on growth – in our ultra high net worth, middle market institutions and public finance businesses – and identifying synergies across the supporting infrastructure. This important initiative includes a Unified Global Markets team, integrating risk management systems and simplifying our regional operating processes. |

# Global Wealth Management

As a leading truly global wealth manager,[1] with over USD 3.3 trillion in invested assets, our goal is to provide tailored financial services, advice and investable solutions to wealthy individuals and families around the world. The spectrum of our services ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. The business is managed globally across the regions.

## Organizational changes

As part of the Group-wide creation of the Artificial Intelligence, Data and Analytics center of expertise in October 2021, Global Wealth Management established the Smart Technologies & Advanced Analytics Team. Leveraging our Evidence Lab Innovations team's experience and expertise, the Smart Technologies & Advanced Analytics Team focuses on developing a smart ecosystem that applies artificial intelligence, advanced analytics and data science to empower our advisors with insights and tools that help them anticipate client needs and deepen client relationships.

On 1 July 2021, the Global Wealth Management Operations team was formally integrated into Global Wealth Management, following the Group-wide decision to move each of the firm's business-aligned Operations teams into their respective divisions in order to become even more client-centric, agile and digital, while creating a seamless experience for our clients.

We continually review all our businesses for growth opportunities, future potential and efficiency. As a result, in 2021, we completed the sale of our domestic wealth management business in Austria. We also announced our intention to sell our domestic wealth management business in Spain. As part of the latter sale, the parties aim to negotiate a cooperation agreement to provide clients with access to selected UBS products and services. We expect this deal to close in the third quarter of 2022. In December 2021, we signed an agreement to sell UBS Swiss Financial Advisers AG, a Switzerland-based SEC-registered investment advisor and FINMA-licensed securities firm that offers US clients tailored investment solutions. On 26 January 2022, we entered into an agreement to acquire Wealthfront, an industry-leading digital wealth management provider. This acquisition is aligned with our growth strategy in the Americas, will broaden our reach among affluent investors and add a new digital-first offering, increasing our distribution capabilities.

## Our focus

We serve high net worth and ultra high net worth individuals, families and family offices worldwide, as well as affluent clients in selected markets. Our dedicated Global Family Office unit works with ultra high net worth individuals and their families to deliver bespoke solutions using the best of our global capabilities from the Investment Bank and Asset Management.

Already a market leader in the ultra high net worth segment outside the US,[1] we are also executing our strategy to be the firm of choice for the wealthiest clients in the US, many of whom already have relationships with UBS. Our global footprint enables us to capture growth in the largest and fastest-growing wealth markets (the US and Asia Pacific, respectively).

Our Chief Investment Office (CIO) celebrated its 10th anniversary in the first quarter of 2021. Growing from just three employees in 2011 to over 1,100 by year-end 2021, our CIO has a presence in 18 locations and is responsible for investment advice and management of more than USD 3.3 trillion in assets globally.

Our CIO's insights provide the foundation for the global UBS ecosystem, which connects clients with content and solutions. Close integration between idea generation and product development results in CIO-aligned solutions delivering real value to clients and spurring innovations such as the investment modules in *UBS Manage Advanced [My Way]*. In Asia the *Direct Investment Insights* function in our online banking platform enables clients to trade directly based on CIO insights via their smartphones or devices.

By making operational processes more efficient, we also enhance advisor productivity. Our investment in operating platforms and tools that support our clients and advisors is aimed at better serving our clients' needs and improving efficiency. As of 31 December 2021, more than 85% of invested assets outside the Americas were booked on our strategic *Wealth Management Platform*. In the US, in collaboration with software provider Broadridge, we are building the *Wealth Management Americas Platform*, for which we continue software delivery, with full conversion targeted for 2023. The development of our platforms is happening alongside enhancements to our digital capabilities, for the benefit of our clients and advisors.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and to "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

## How we operate

Our global footprint and presence in the world's largest and fastest-growing markets position us well to serve clients with global interests and demands. They also make broad access across solutions and geographies in different market conditions possible. The US is our largest market, accounting for around half of our invested assets. We are the largest private bank in Asia Pacific[2] and one of the largest in Latin America,[1] in terms of invested assets.

In Switzerland, we hold the leading market position[1] and can deploy the full range of UBS's products and services. Our domestic footprint in Western and Central Europe, the Middle East, and Africa enables us to provide locally tailored offerings and ensures we are close to our clients.

In April 2021, we opened a wealth management advisory office in Doha, Qatar, as a further sign of our commitment to the Middle East, an important and growing region for us.

1 Statements of market position for Global Wealth Management are based on UBS's internal estimates and publicly available information about competitors' invested assets.
2 Digital Wealth Management in Asia Pacific, KPMG 2021.

Joint efforts with the Investment Bank, Asset Management and selected external partners enable us to offer clients broad access to financing, global capital markets and bespoke portfolio solutions. For example, in the Americas, our Private Markets OneBank Partnership has established one centralized function to manage the origination and distribution of all private markets transactions, side by side with the cross-divisional origination of the Investment Bank's Global Banking business. Additionally, to ensure we are placing resources close to clients, dedicated investment bankers are now embedded in Global Wealth Management's Private Wealth Services Hubs across the US. These investment bankers work side by side with our financial advisors to drive focused, proactive coverage of investment banking business from our wealthiest clients.

› **Refer to "Delivering one ecosystem" in this section for examples of the joint efforts of the business divisions**

Our competitors fall into two categories: peers with a strong position in the Americas but more limited global footprints, such as Morgan Stanley and JP Morgan; and peers with similar international footprints and operating models, but with significantly smaller presences than UBS in the US, such as Credit Suisse and Julius Baer. We have strategically built strong positions in the fastest-growing client segment (ultra high net worth) and region (Asia Pacific). The size and the diversification of our footprint, as well as our premium brand and reputation, would be difficult and expensive to replicate.

## What we offer

Our distinctive approach to wealth management is designed to help our clients pursue what matters most to them.

We aim to offer clients the best solutions, services and expertise globally. Our experts provide thought leadership, investment analysis and investment strategies, and develop and source solutions for our clients. The CIO provides our *UBS House View*, identifying investment opportunities designed to protect and increase our clients' wealth over the longer term.

Regional client strategy teams use direct client feedback, findings from periodic *Investor Watch* surveys and insights from the Smart Technologies & Advanced Analytics Team to deepen our understanding of clients' needs. Our product specialists deliver investment solutions, including our flagship investment mandates, as well as innovative long-term themes and sustainable investment offerings.

Clients benefit from our comprehensive expertise, including wealth planning, investing, sustainability and impact investing, philanthropy, corporate and banking services, as well as family advisory services. We also offer extensive mortgage, securities-based and structured lending expertise.

In 2020, we became the first major global financial institution to make sustainable investments the preferred solution for private clients investing globally. This focus led to high levels of client activity in 2021 and reflected both our own belief in sustainable and impact investing from a performance perspective and increased client demand for relevant advice and solutions. Our discretionary offerings aligned to our sustainable investing strategic asset allocation exceeded USD 30 billion in invested assets as of 31 December 2021.

Our clients accounted for 75% (USD 647 million) of MPM Capital's Oncology Impact Fund 2 (OIF 2), which closed in 2021, following the record-setting success of the UBS Oncology Impact Fund (OIF 1) in 2016. UBS clients invested more than USD 1 billion across both Funds. OIF 2 is one of the largest dedicated impact investment funds in biotech history.[1]

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about sustainability matters**

We also continue to broaden our offering across asset classes and themes, collaborating with external partners, such as Rockefeller Asset Management, Rethink Impact and Bridge Investment Group, to provide clients with access to differentiated sustainable and impact investing opportunities.

We constantly work on responding swiftly to changing client needs and further differentiating our leading discretionary and advisory mandate offerings. As part of our long-term cooperation with Partners Group, we have enhanced our offering by broadening access to private equity. Clients can diversify their mandates into private equity by accessing fully paid-in solutions provided by Partners Group and UBS.

In 2020, we launched *UBS Manage Advanced [My Way]*, a solution enabling clients to truly individualize their portfolios. Based on strong momentum, client demand and inflows, we intend to expand this solution into other markets.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

1 Based on a review of healthcare thematic funds using data from PitchBook as of August 2021; impact investing definitions may vary.

*As of or for the year ended 31 December 2021*

CIO advises on and manages

**USD 3.3 trillion**

in invested assets

**USD 5 billion**

sales via My Way with the number of mandates tripling to 4,300 (outside of the Americas)

**USD 27 billion**

flows into our SMA[1] initiative (Americas)

**Best Wealth Manager**

for the seventh time in a decade (Euromoney 2021)

**USD 25.1 billion**

of net new loans

**USD 107 billion**

of NNFGA,[2] 8% growth

Private markets invested assets reached

**USD 58 billion,**

with USD 25 billion in new commitments

**USD 12 billion**

flows into our discretionary sustainable investment mandates

1 Separately managed accounts. 2 Net new fee-generating assets.

# Personal & Corporate Banking

As a leading Swiss personal and corporate bank, we provide comprehensive financial products and services to private, corporate and institutional clients. Personal & Corporate Banking is the core of our universal bank in Switzerland.

## Organizational changes

On 1 July 2021, the Personal & Corporate Banking Operations team was formally integrated into Personal & Corporate Banking, following the Group-wide decision to move each of the firm's business-aligned Operations teams into their respective divisions in order to become even more client-centric, agile and digital, while creating a seamless experience for our clients.

## Our focus

Continued innovation and constant customer focus are the factors that differentiate us, as a market leader across all business areas we strive to grow at a rate higher than the market. We aim to be digital at the core: our client promise is to bring the bank to the app, enabling a user experience that is personalized, relevant, on-time and seamless. Even before the COVID-19 pandemic, digitalization had become a major part of our everyday lives. The pandemic has increased its relevance and accelerated the pace of technological change.

To drive this transformation, we need to better connect business and technology, focus on the needs of our clients, and empower our teams end to end; in other words, we need to be agile. The agile transformation is essential for every part of our organization. Agile is not new to us – we previously gained experience with the *Digital Factory* and *Lighthouses* – but we are now scaling it to the next level. In 2021, we set up a new virtual *Agile Delivery Organization*.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

In 2021, we brought additional sustainable finance solutions to the market. We introduced *Green Mortgages* brokered via *key4*, the first Swiss real estate platform for investment properties offering sustainable mortgages in Switzerland. In addition, we now offer Swiss retail clients *Renovation Mortgages* that provide preferential interest rates to support energy-efficient renovations and construction. On the investment side, we complemented our *UBS Vitainvest* product family with a passive solution, making it possible to invest for retirement in a sustainable way through Swiss third-pillar pension funds and vested benefits accounts. We also launched the innovative *UBS Sustainability Analytics* offering, helping institutional clients to achieve full transparency by screening their portfolios with regard to sustainability aspects.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about sustainability-related topics**

We collaborate with other companies to better satisfy our clients' diverse needs. For example, in 2021, we started a project with Swiss fintech start-up Yokoy to provide extensive cash management services to corporate clients, from automated generation of expense reports to validation of supplier invoices.

## How we operate

We operate primarily in our Swiss home market. With our Personal Banking and Corporate & Institutional Clients business areas, we are organized into 10 regions, covering distinct Swiss economic areas. Due to increasing client demand for remote access and the increased offering via our in-demand digital and remote channels, in the first quarter of 2021 we reduced our branch network by 44 branches to 195 branches. This followed the closure of 28 branches in 2020.

We also support the international business activities of our Swiss corporate clients through local hubs in New York, Frankfurt, Singapore and Hong Kong SAR. No other Swiss bank offers its corporate clients local banking capabilities abroad.

In Personal Banking, our main competitors are Credit Suisse, PostFinance, Raiffeisen, cantonal banks, and other regional and local Swiss banks; we also face competition from international neobanks and other national digital market participants. Areas of competition are basic banking services, mortgages and foreign exchange, as well as investment mandates and funds.

In Corporate & Institutional Clients, Credit Suisse, cantonal banks and globally active foreign banks are our main competitors. We compete in basic banking services, cash management, trade and export finance, asset servicing, investment advice for institutional clients, corporate finance and lending, and cash and securities transactions for banks.

## What we offer

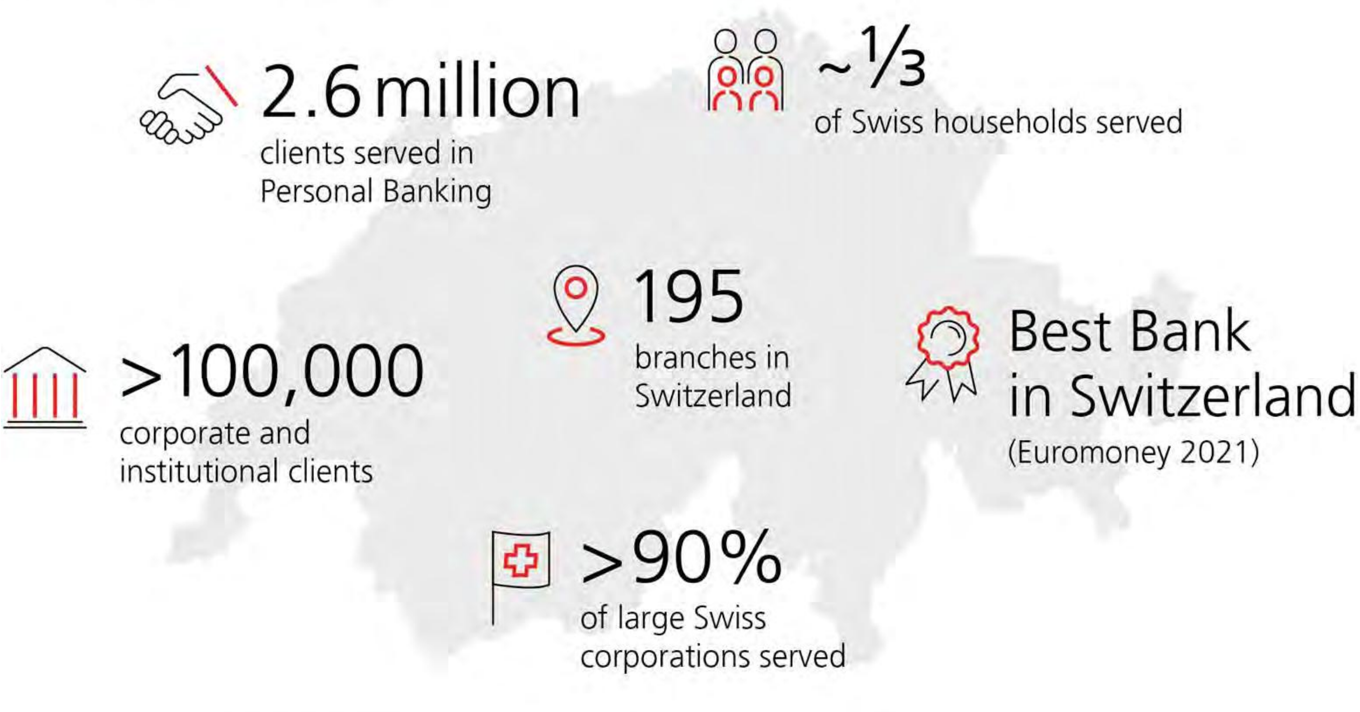
Our personal banking clients have access to a comprehensive, life-cycle-based offering, a broad range of basic banking products, from payments to deposits, cards, and convenient online and mobile banking, as well as lending (predominantly mortgages), investments and retirement services. This is complemented by our *UBS KeyClub* reward program, which provides clients in Switzerland with exclusive and attractive offers (some from third-party partners). We work closely with Global Wealth Management to provide our clients with access to leading private banking and wealth management services.

Our corporate and institutional clients benefit from our financing and investment solutions, in particular access to equity and debt capital markets, syndicated and structured credit, private placements, leasing, and traditional financing. We offer transaction banking solutions for payment and cash management services, trade and export finance, and global custody solutions for institutional clients.

We work closely with the Investment Bank to offer capital market and foreign exchange products, hedging strategies, and trading capabilities, as well as corporate finance advice. In cooperation with Asset Management, we also provide fund and portfolio management solutions.

› **Refer to "Delivering one ecosystem" in this section for examples of the joint efforts of the business divisions**

*As of or for the year ended 31 December 2021*



# Asset Management

Asset Management is a large-scale and diversified global asset manager, with USD 1.2 trillion in invested assets. We offer investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and Global Wealth Management clients around the world.

## Organizational changes

Following the sale of our majority stake in 2020, in 2021 we sold our remaining minority investment (48.8%) in Clearstream Fund Centre AG (previously Fondcenter AG) to Deutsche Börse AG. Long-term commercial cooperation arrangements remain in place for the provision of services by Clearstream to UBS, including collaboration on jointly servicing banks and insurance companies.

On 1 July 2021, the Asset Management Operations team was formally integrated into Asset Management, following the Group-wide decision to move each of the firm's business-aligned Operations teams into their respective divisions in order to become even more client-centric, agile and digital, while creating a seamless experience for our clients.

## Our focus

Our strategy is focused on capitalizing on the areas where we have a leading position and differentiated capabilities, so as to drive further profitable growth and scale.

Sustainable and impact investing remains a key area, as clients increasingly seek solutions that combine their investment goals with sustainability objectives. We are continuing the expansion of our world-class capabilities through: product and service innovation; dedicated research; integrating environmental, social and governance (ESG) factors into our investment processes by leveraging our proprietary analytics; and active corporate engagement.

During 2021, we enhanced our ESG methodology and data sets, deepened the integration of carbon data into our investment processes, and worked to expand our ESG integration across alternative asset classes. We also increased the entire range of UBS sustainable exchange-traded funds (ETFs), which represented USD 40 billion in invested assets as of 31 December 2021. These ETFs provide exposure to various asset classes with significantly lower carbon intensity compared with their respective market cap-weighted parent indices and help investors to both reduce their climate risks and benefit from opportunities arising from the shift toward a lower-carbon economy.

In addition, we continued to expand our Climate Aware suite of products and our Climate Aware invested assets grew to USD 23 billion, a 53% increase year on year. Our sustainability focus and impact invested assets totaled USD 172 billion, a 77% increase year on year.

As a founding member of the Net Zero Asset Managers[1] initiative, we published an interim target and have committed to align USD 235 billion of invested assets by 2030. We are one of the largest and most diversified firms to have set a 2030 target and we continue to work with our clients, standard setters and industry bodies to help develop the new methodologies, tools and data needed by investors to effect further change.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about sustainability matters**

In response to the increasing importance of private markets and alternative investments, we are building on our existing expertise in these areas, including our real estate and hedge fund businesses, as well as our capabilities across infrastructure, private equity and private debt.

We also continue to develop our award-winning[2] indexed businesses globally, including ETFs in Europe, Switzerland and Asia. We focus on sustainable investing across our index product range and provide customization while leveraging our highly scalable platform.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and to "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

Geographically, we are building on our extensive and long-standing presence in the Asia Pacific region. In China, one of the world's fastest-growing asset management markets, we continue to invest in our leading presence and products, both on- and off-shore, and are ranked as the number one foreign manager of inbound invested assets in Greater China.[3]

In the rapidly evolving and attractive wholesale segment, we aim to significantly expand our market share through a combination of measures: a continued increase in the share of clients' business; expansion of our strategic partnerships with distributors; the build-out of our client service and product shelf offerings; and the launch of new white-labeling and implementation capabilities.

1 *netzeroassetmanagers.org*
2 Passive Manager of the Year in the Insurance Asset Risk EMEA Awards, January 2021 and ranked fourth largest ETF provider in Europe as of December 2021 (source: ETFGI).
3 Ranking compiled by Broadridge in October 2021.

We also continue our joint efforts with the other business divisions, in particular with Global Wealth Management, enabling our teams to draw on the best ideas, solutions and capabilities from across the firm in order to deliver superior investment performance and experiences for our clients. For example, the separately managed accounts initiative with Global Wealth Management in the US generated USD 27 billion in net new money inflows in 2021 and USD 127 billion in invested assets. This firmly positions us to capture attractive opportunities in other channels by leveraging our world-class expertise and capabilities to meet growing client demand.

› **Refer to "Delivering one ecosystem" in this section for examples of the joint efforts of the business divisions**

To support our growth, we are focused on disciplined execution of our operational excellence initiatives. This includes further automation, simplification, process optimization and offshoring / nearshoring of selected activities, complemented by continued modernization of our platform and development of our analytics and data capabilities.

## How we operate

Our business division is organized into five areas: Client Coverage, Investments, Real Estate & Private Markets, Products and the COO (Operations).

We cover the main asset management markets globally, and have a local presence in 23 locations across four regions: the Americas, Asia Pacific, EMEA and Switzerland. We have nine main hubs: Chicago, New York, London, Zurich, Singapore, Hong Kong SAR, Shanghai, Tokyo and Sydney.

Our main competitors are global firms with wide-ranging capabilities and distribution channels, such as Amundi, BlackRock, DWS, Goldman Sachs Asset Management, Invesco, JPMorgan Asset Management, Morgan Stanley Investment Management and Schroders, as well as firms with a specific market or asset-class focus.

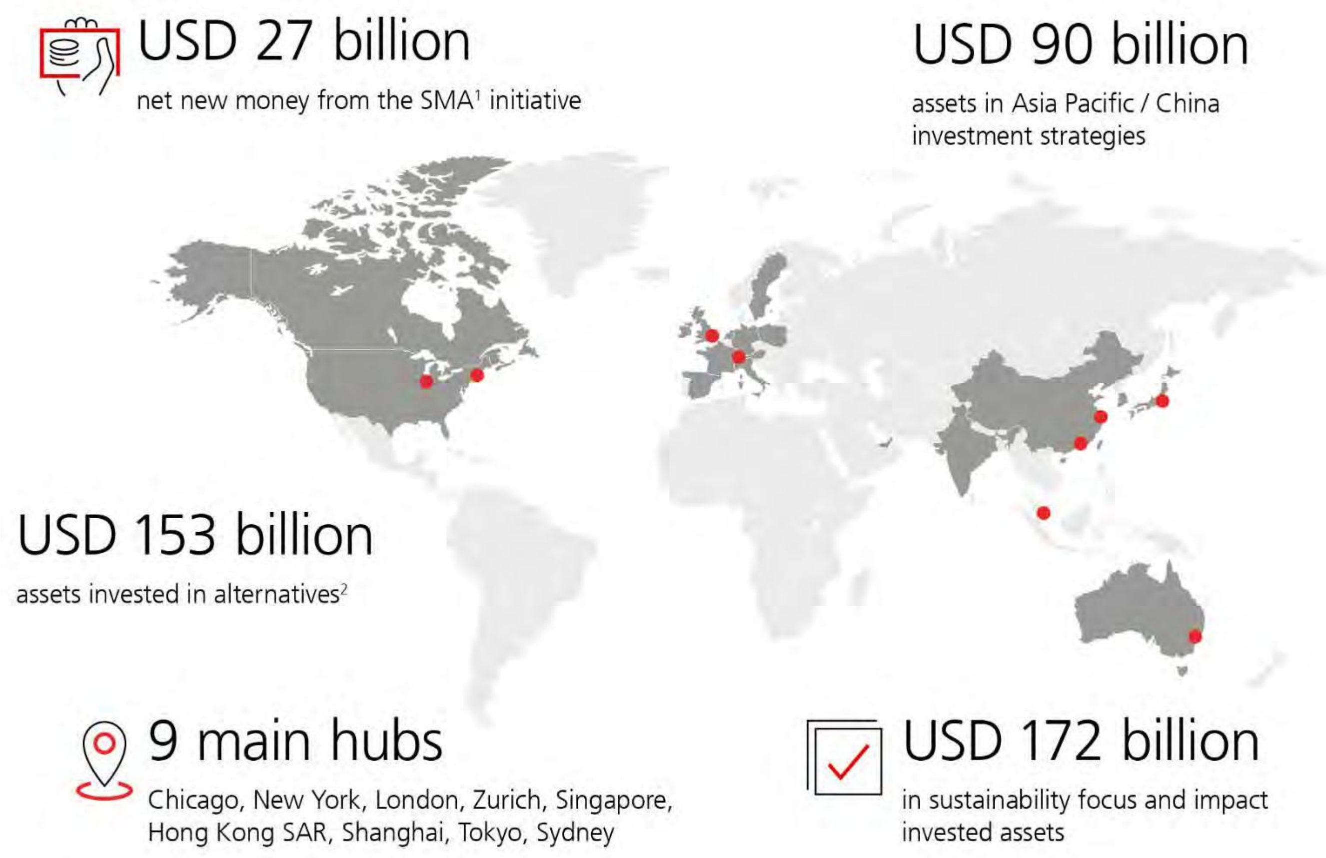
## What we offer

We offer 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.

Our traditional and alternative capabilities include equities, fixed income, hedge funds, real estate and private markets, and indexed and alternative beta strategies (including exchange-traded funds), as well as sustainable and impact investing products and solutions.

Our Investment Solutions business draws on the breadth of our capabilities to offer: asset allocation and currency investment strategies across the risk–return spectrum; customized multi-asset solutions, advisory and fiduciary services; and multi-manager hedge fund solutions and advisory services.

*As of or for the year ended 31 December 2021*




1 Separately managed accounts. 2 Hedge fund businesses, private markets and real estate.

# Investment Bank

The Investment Bank provides services to institutional, corporate and wealth management clients, helping them raise capital, invest and manage risks, while targeting attractive and sustainable risk-adjusted returns for shareholders. Our traditional strengths are in equities, foreign exchange, research, advisory services and capital markets, complemented by a targeted rates and credit platform. We use our data-driven research and technology capabilities to help clients adapt to evolving market structures and changes in regulatory, technological, economic and competitive landscapes.

Aiming to deliver market-leading solutions by using our intellectual capital and electronic platforms, we work closely with Global Wealth Management, Personal & Corporate Banking and Asset Management to bring the best of UBS's capabilities to our clients. We do so with a disciplined approach to balance sheet deployment and costs.

## Organizational changes

In February 2021, we announced that Piero Novelli, Co-President Investment Bank, would step down, and, effective 1 April 2021, Robert Karofsky, Co-President Investment Bank, was appointed sole President Investment Bank.

On 1 July 2021, the Investment Bank Operations team was formally integrated into the Investment Bank, following the Group-wide decision to move each of the firm's business-aligned Operations teams into their respective divisions in order to become even more client-centric, agile and digital, while creating a seamless experience for our clients.

In January 2022, Global Research and the Strategic Insights team, formerly part of Evidence Lab Innovations, were integrated into the Investment Bank as Investment Bank Research. This new setup has better aligned our research coverage with the needs of our clients, while continuing to provide research and analytical services across the firm.

## Our focus

Our priority is providing seamless client service and high-quality execution, through disciplined growth in the capital-light advisory and execution businesses, while accelerating our digital transformation. We aspire to provide best-in-class services and solutions to our corporate, institutional and wealth management clients through an integrated, solutions-led approach. In Global Banking, we position ourselves as trusted advisors via our deep client coverage and ability to provide access to the full capabilities of UBS.

Our global coverage model utilizes our vast international industry expertise and product capabilities to meet the emerging needs of clients. We provide clients with excellence in execution, financing and structured solutions through our Global Markets franchise. In Global Markets, our sharpest competitive edge comes from coordinating our services across a wide range of asset classes and products. We provide nimble, innovative and bespoke access to solutions, from market and insight tools to trading strategies and execution.

Investment Bank Research continues to publish research based on primary data to concentrate on data-driven outcomes and offer clients key insights on securities and themes in major financial markets around the globe. In April 2021, Research entered into a strategic partnership with Lynk Global, an artificial-intelligence-driven knowledge-as-a-service platform, to help clients make better, more informed investment and business decisions. In September 2021, we announced a strategic research redistribution agreement with Wind, the leading financial information provider in China, to offer onshore content to clients who invest through Wind. Investment Bank Research was also a founding partner and investor in Visible Alpha, a model aggregation platform that is now firmly embedded in many of the workflows of our core clients.

Our digital strategy harnesses technology to provide access to a wide range of sources of global liquidity and differentiated content. The Investment Bank strives to be the digital investment bank of the future, taking our best ideas and turning them into reality, with innovation-led businesses driving efficiencies and solutions. We aim to develop new products and solutions consistent with our capital-efficient business model, which are most often related to new technologies or changing market standards.

In February 2021, we announced the creation of a single *Digital Platforms* function within the Investment Bank across Global Markets and Global Banking, utilizing digital competencies to benefit all products and maximizing the return on our technology spend in close partnership with Group Technology. *Digital Platforms* combines product expertise with deep technical know-how, aiming to reduce the number of systems and increase automation, maximizing client impact, revenue and digital adoption. The *Digital Platforms* function was an early adopter of *Agile@UBS*, an evolution of the historically close collaboration with our Chief Data and Information Office, creating long-lived teams that learn and continuously improve, which in turn attracts the best talent.

Our *Investment Bank Accelerated Digital Agile Platform Transformation* initiatives form the basis of our digital roadmap, with the ambition of having a simplified and ultra-modern technology landscape that is secure and stable, where we re-use more of everything and where the platforms work together to drive progress toward our overall strategic imperatives.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and to "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

Our global reach gives attractive options for growth. In the Americas, the largest investment banking fee pool globally, we focus on increasing market share in our core Global Banking and Global Markets businesses. In Asia Pacific, opportunities arise mainly from expected market internationalization and growth in China, where we plan to grow by strengthening our presence, both onshore and offshore. In EMEA, we plan to leverage our strong base and brand recognition even further.

Joint efforts between the Investment Bank and the other business divisions (for example, our work with Global Wealth Management on the Unified Global Markets team and the Global Lending Unit) and, externally, strategic partnerships (for example, UBS BB jointly with Banco do Brasil, focused on Latin America) continue to be key strategic priorities. We expect these initiatives to continue to lead to growth by delivering global products to each region, leveraging our global connectivity across borders and sharing and strengthening our best client relationships.

› **Refer to "Delivering one ecosystem" in this section for examples of the joint efforts of the business divisions**

## How we operate

Our business division consists of two areas: Global Banking and Global Markets, supported by Investment Bank Research. Governed by the Executive, Operating, Risk, and Asset and Liability forums, each business area is organized globally by product. Our geographically balanced business has a global reach, with a presence in more than 30 countries and offices in ten major financial hubs.

Competing firms operate in many of our markets, but our strategy differentiates us, with its focus on leadership in the areas where we have chosen to compete, and a business model that leverages talent and technology rather than balance sheet. Our main competitors are the major global investment banks (e.g., Morgan Stanley, Credit Suisse and Goldman Sachs) and corporate investment banks (e.g., Bank of America, Barclays, Citigroup, BNP Paribas, Deutsche Bank and JPMorgan Chase). We also compete with boutique investment banks and fintech firms in certain regions and products.

Joint efforts with Global Wealth Management and Asset Management enable us to provide clients with broad access to financing, global capital markets and portfolio solutions.

› **Refer to "Delivering one ecosystem" in this section for examples of the joint efforts of the business divisions**

## What we offer

Our Global Banking business advises clients on strategic business opportunities, such as mergers, acquisitions and related strategic matters, and helps them raise capital, both on public and private markets, to fund their activities.

Our Global Markets business enables clients to buy, sell and finance securities on capital markets worldwide, and to manage their risks and liquidity. We distribute, trade, finance and clear cash equity and equity-linked products, as well as structuring, originating and distributing new equity and equity-linked issues. From origination and distribution to managing risk and providing liquidity in foreign exchange, rates, credit and precious metals, we help clients to realize their financial goals.

Our Investment Bank Research business offers clients differentiated content about major financial markets and securities around the globe, with coverage of over 3,000 stocks in 24 countries. The Strategic Insights team provides timely and relevant information and insights to help clients quickly make decisions regarding their most important questions.

We seek to develop new products and solutions consistent with our capital-efficient business model, typically related to new technologies or changing market standards.

› **Refer to "Clients" in the "How we create value for our stakeholders" section and to "Leveling up technology" in the "Our strategy" section of this report for more information about innovation and digitalization**

The Investment Bank is focused on meeting the needs of clients with regard to environmental, social and governance (ESG) considerations and sustainable finance, helping to reshape business models and investment opportunities and to develop sustainable finance products and solutions across the Investment Bank. Since 2005, we have addressed increasing client demand for sustainable investing by providing thematic and sector research and investment solutions through socially responsible and impact exchange-traded funds and index-linked notes. In addition, we offer capital-raising and strategic advisory services globally to companies that make positive contributions to climate change mitigation and adaptation. We provide advice on innovative financing strategies, guiding clients through inaugural green issuances and positioning them in multi-currency markets. In September 2021, we announced the formation of our ESG Advisory team in Global Banking, aiming to support our clients' sustainability strategies. As part of the Group's net-zero commitments, the Investment Bank has developed science-based intermediate emission targets for 2030 for its lending business in priority sectors (fossil fuels and power generation). In June 2021, we announced the inaugural launch of two senior unsecured green bonds under our Green Funding Framework.

› **Refer to the "Taking action on a net-zero future – our climate report" section of the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about the Investment Bank's targets for its lending business**

*As of or for the year ended 31 December 2021*

Presence in
>30
countries

USD 8 billion
investments facilitated by Private Markets

Inaugural launch of green bonds issued under our Green Funding Framework

Ranked
2nd
in foreign exchange (Euromoney 2021)

Ranked
4th
in cash equities[1]

6.5 million
reads across ~45,000 Research documents

10 financial hubs
Chicago, New York, London, Zurich, Frankfurt, Singapore, Hong Kong SAR, Shanghai, Tokyo, Sydney

1 Coalition Greenwich Competitor Analytics (third quarter, year-to-date, 2021), based on UBS's product taxonomy.

# Group Functions

Group Functions provides services to the Group, focusing on effectiveness, risk mitigation and efficiency. Group Functions also includes the Non-core and Legacy Portfolio unit.

## How we are organized

### Group Functions

The major areas within Group Functions are Group Services (which consists of Technology, Corporate Services, Human Resources, Finance, Legal, Risk Control, Compliance, Regulatory & Governance, Communications & Branding, and Group Sustainability and Impact), Group Treasury, and Non-core and Legacy Portfolio.

In recent years, we have aligned support functions and business divisions. The vast majority of such functions are fully aligned or shared among business divisions, where they have full management responsibility. By keeping the activities of the businesses and support functions close, we increase efficiency and create a working environment built on accountability and collaboration.

On 1 July 2021, following the Group-wide decision to move each of the firm's business-aligned Operations teams into their respective divisions in order to become even more client-centric, agile and digital, while creating a seamless experience for our clients, each of the Operations teams were formally moved out of Group Functions and integrated into the respective business divisions.

Non-core and Legacy Portfolio, a small residual set of activities in Group Treasury and certain other costs that are mainly related to deferred tax assets and costs relating to our legal entity transformation program are all retained centrally.

### *Group Treasury*

Group Treasury manages balance sheet structural risk (e.g., interest rate, structural foreign exchange and collateral risks) and the risks associated with our liquidity and funding portfolios. Group Treasury serves all business divisions and its risk management is integrated into the Group risk governance framework.

### *Non-core and Legacy Portfolio*

Non-core and Legacy Portfolio manages legacy positions from businesses exited by the Investment Bank, following a largely passive wind-down strategy. Overseen by a committee chaired by the Group Chief Financial Officer, its portfolio also includes positions relating to legal matters arising from businesses transferred to it at the time of its formation.

› **Refer to "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information about litigation, regulatory and similar matters**

# Our environment

## Market climate

### Global economic developments in 2021

2021 was a positive year for the global economy and most markets. Growth rebounded, with the global economy expanding 6.1%, after contracting 3.0% in 2020. The recovery was also broad based, with all major nations experiencing a revival in demand as pandemic restrictions were gradually relaxed and the policies of major central banks remained supportive.

Swiss GDP increased 3.5% in 2021, after decreasing 2.5% in 2020. US GDP grew 5.7%, after decreasing 3.4%. The Eurozone economy expanded 5.2%, after contracting 6.5% in the prior year. UK GDP increased 7.2% in 2021, after a decrease of 9.4% in 2020.

China's economy grew 8.1%, up from 2.2% in 2020, although momentum slowed toward the end of 2021 and into 2022. Other leading Asian economies recovered strongly in 2021, with India's GDP growing 8.7%, Singapore's GDP increasing 7.6% and South Korea's GDP expanding 3.9%. Japan experienced less growth, with GDP increasing 1.7% after a 4.5% contraction in 2020.

Growth in the top emerging markets was mixed, with a moderate 1.7% growth rate in Thailand and 3.7% in Indonesia, compared with a more robust 5.3% in Mexico and 4.5% in Brazil.

Elevated inflation emerged as a concern through 2021 in much of the world, as the pandemic continued to disrupt supply chains and shift patterns of demand. By the end of the year, US inflation was running at the fastest pace since 1982 on a year-on-year basis. This caused the US Federal Reserve to move toward monetary tightening, announcing a scaling back of asset purchases and pointing toward rate rises. Inflation was contained in Switzerland, at 0.6% for the year, but climbed swiftly in the Eurozone, from 0.3% in 2020 to 2.6% in 2021. Meanwhile, prices in Japan declined 0.2% in 2021, having been flat in 2020.

Financial markets, both equities and fixed income, were resilient in the face of continuing waves of COVID-19 infections. Global equities delivered total returns of 18.5% in 2021. The US outperformed: MSCI USA delivered total returns of 27%, outperforming the MSCI All Country World index by 8 percentage points and taking its share of the global index's market capitalization to a record level of 48%. The Eurozone, Japanese, Swiss and UK equity markets all gained ground. China, however, was an underperformer: after reaching a record high in February 2021, MSCI China declined over the rest of the year, driven by increased regulation on the technology and property sectors, energy shortages, and a slowing economy. The index delivered negative returns of 22.4% in 2021, negatively impacting the performance of the MSCI Emerging Markets index overall, which decreased 2.5% in 2021.

Government bond markets were also resilient, especially against a backdrop of historically high inflation. The yield on 10-year US Treasuries ended the year at 1.5%, only a modest increase from 0.9% at the start of the year. With inflation rising, but nominal yields staying low, US real yields traded as low as minus 1.2%, the lowest level since the inception of the Treasury inflation-protected securities (TIPS) market in 1997. The yield on 10-year German Bunds remained negative through 2021, ending the year at minus 0.18%.

# Industry trends

Although our industry has been heavily affected by various regulatory developments over the past decade, technological transformation and changing client expectations are further emerging as key drivers of change today, increasingly affecting the competitive landscape, as well as our products, service models and operations. In parallel, our industry continues to be materially driven by changes in financial market and macroeconomic conditions.

## Client expectations

As technology progresses, clients more rapidly redefine the way they live, work and interact with others. This is reshaping clients' expectations toward financial services firms, as their reference points are increasingly influenced by experiences with companies outside our sector, where technology-supported and data-driven solutions are progressively enabling a more seamless and improved client experience. These services often focus on convenience and personalization, and drive toward holistically addressing clients' needs and facilitating community building. Therefore our franchise needs to evolve, as clients measure us against new standards.

## Sustainability

Markets around the world are undergoing a profound transformation as company business models evolve and investors factor in the transition to a low-carbon economy and other sustainable themes with regard to investment risk and return.

Shifting societal values and greater regulation are supporting client demand. Investors are adding sustainable investing strategies to their portfolios, with the fastest growth around funds focused on climate. Industry inflows into sustainable funds have accelerated during the COVID-19 pandemic and the sustainable investing market share remains above pre-pandemic levels.

Our view is that this trend plays to UBS's strengths, as we have been at the forefront of sustainable finance for over two decades, making us well placed to continue developing the innovative products and solutions our institutional and private clients need.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about sustainability matters**

## Digitalization

Digitalization in the financial services industry is accelerating and has been given further momentum by the ongoing COVID-19 pandemic. Banks have demonstrated their ability to take on a vast increase in the number of clients switching to digital channels while ensuring operational resilience. As a result, clients increasingly trust digital solutions and are now demanding even more seamless, personalized digital products and services tailored to their needs. Regional and demographic differences in the acceptance and use of digital technologies are narrowing across all client segments, thus increasing the number of digital users. This trend requires financial institutions to focus even more on fully digital and digitally enhanced service models and digitally enabled ecosystems.

As governments reacted to the outbreak of the pandemic by imposing restrictions on physical interactions, digital communication, with clients and employees alike, established new remote ways of working, which are expected to also be used by some companies in post-pandemic scenarios, enabling them to attract an even wider array of talent than before. The digitalization of the financial services industry has led to a structural shift in the workforce: more and better engineers are required to keep banks at the forefront of technology, thus setting them into direct competition with technology companies beyond the borders of the financial sector.

Continuous investment in technology is driving automation and simplification of labor-intensive processes, improving banks' operational efficiency and freeing up resources to focus on client needs. Decision making is becoming increasingly data-driven, with advanced analytics and artificial intelligence enabling banks to address client needs in an even more targeted manner.

Nascent technologies, such as distributed ledger technology, are expected to mature over the coming years and are likely to reshape our industry. They provide opportunities to overcome existing financial system frictions, broaden access to underbanked communities and make previously unviable products or services available to the financial services industry.

## Consolidation

Many regions and businesses in the financial services sector are still highly fragmented. We expect further consolidation, with the key drivers being ongoing margin pressure, a push for cost efficiencies and increasing scale advantages resulting from the fixed costs of technology, and regulatory requirements. Many banks currently seek increasing exposure and access to regions with attractive growth profiles, such as Asia and other emerging markets, through local acquisitions or partnerships. The increased focus on core capabilities and geographical footprint, as well as the ongoing simplification of business models to reduce operational and compliance risks, is likely to drive further disposals of non-core businesses and assets. The impact of the COVID-19 pandemic may further accelerate consolidation, as banks face increasing threats from digitalization, low interest rates and intensified competition.

## New competitors

Our competitive environment is evolving. In addition to traditional competitors in the asset-gathering businesses, new entrants are targeting selected parts of the value chain. However, we have not yet seen a fundamental unbundling of the value chain and client relationships, which might ultimately result in the further disintermediation of banks by new competitors. Over the long term, we believe large platform companies entering the financial services industry could pose a significant competitive threat, given their strong client franchises and access to client data, if they decide to broaden the scope of their services. Fintech firms are gaining momentum, which has been accelerated by the COVID-19 pandemic, causing increased use of remote solutions. However, such firms have not to date materially disrupted our asset-gathering businesses. The trend for forging partnerships between new entrants and incumbent banks is continuing, as technology and innovation help banks overcome new challenges.

## Regulation

Although the impact of the COVID-19 pandemic is still evident, regulators are re-focusing their attention toward policy areas that were already in motion before the pandemic started, including prudential regulation and anti-money laundering (AML), and to emerging policy topics, particularly in the areas of digital innovation and environmental, social and governance (ESG).

Sustainable finance and climate risk were a key focus of policymakers in 2021, with the United Nations Climate Change Conference (COP26) acting as a catalyst for action. We expect further policy developments, including in the areas of climate-related disclosures, climate-related financial risks and ESG.

The acceleration of the digital finance agenda, which in part resulted from the COVID-19 pandemic, continues to trigger action from regulators and this will likely further intensify. Among such action, we expect further progress on the regulation of cryptoassets and stablecoins, as well as on the ongoing work on central bank digital currencies and digital engagement practices.

The national implementation of the Basel framework remains another important focus area, but there is a significant risk of divergence in the timing of implementation, as well as the content of the provisions. EU authorities have proposed a package of measures aimed at implementing the remaining Basel III elements by 2025, i.e., two years after the timeline envisaged by the Basel Committee on Banking Supervision, while the authorities in Switzerland and the UK are expected to consult on their approach in 2022. Implementation in Switzerland is expected in 2024 and in the UK no earlier than March 2023. Implementation in the US is still uncertain.

In addition, regulatory authorities continue to refine existing regulations, including the finalization of the Swiss too-big-to-fail framework, with a current focus on additional liquidity requirements for systemically important banks. The regulators are also advancing the regulatory framework in key policy areas, including anti-money laundering, operational resilience and outsourcing arrangements, and putting an emerging policy focus on diversity and inclusion.

Finally, central banks and regulators continue to learn the lessons from the COVID-19 pandemic. An important area of concern is understanding the effects of contagion in financial markets, particularly financial stability risks emanating from non-bank financial institutions.

Many of these developments are taking place in an environment characterized by significant political uncertainties, including geopolitical tensions that could pose additional challenges to the provision of cross-border financial services and rapidly evolving societal expectations toward financial institutions.

We believe the adaptations made to our business model and our proactive management of regulatory change put us in a strong position to absorb upcoming changes to the regulatory environment.

› **Refer to the "Regulatory and legal developments" and "Capital, liquidity and funding, and balance sheet" sections of this report for more information**

## Wealth creation[1]

Despite the economic tumult related to the pandemic, the global high net worth individual population and financial wealth increased in 2020 6.3% and 7.6%, respectively.

The United States continued to lead, with high net worth individual wealth growth of 12.3%; in Asia Pacific, such wealth expanded 8.4% and in Europe 4.5%. In line with previous trends, the ultra high net worth individual segment led wealth growth, with an average of 9.1%. Today, 44% of global financial wealth is concentrated in North America, followed by Asia (26%) and Europe (21%).[2]

By segment, approximately a third of global high net worth individual wealth is held by individuals with wealth in excess of USD 30 million, 23% by individuals with wealth ranging from USD 5 million to USD 30 million and the remaining approximately 43% is within the wealth segment between USD 1 million and USD 5 million.

Wealth is being created at a faster rate for a number of key client groups, including female clients and entrepreneurs. We also see significant wealth transition to the next generation over the coming decade.

The outlook for wealth remains positive, with North America, Asia (excluding Japan) and Western Europe expected to account for 87% of new financial wealth growth worldwide between now and 2025.[2]

## Wealth transfer

Demographic and socioeconomic developments continue to generate shifts in wealth. Over the next 10 to 15 years, the "next gen," composed of individuals currently between the ages of 20 and 50, will be an influential driver of future growth, as those people accumulate significant financial wealth from inheritance or liquidity events.[2]

1 All the figures are from the Capgemini World Wealth Report 2021 unless otherwise stated and refer to the 2020 financial year. The Capgemini World Wealth Report 2021 defines wealth segmentation as follows: those with wealth of greater than USD 30 million are classified as ultra high net worth individuals; USD 1–30 million for high net worth individuals.
2 Based on BCG Global Wealth Report 2021. Wealth concentration is based on financial assets by regions and excludes real assets and liabilities.

As a group, next gens have a longer investment horizon, a greater appetite for risk and often a desire to use wealth to create a positive societal impact alongside investment returns. As shown in the Wealth-X report "World Ultra Wealth Report 2021," the proportion of ultra-wealthy women has also been on a gradual upward trend in recent years, reflecting changing cultural attitudes and growth in female entrepreneurship, as well as wealth transfers between generations.

We are responding to the evolving wealth landscape with a framework that addresses all aspects of our clients' financial lives, called *UBS Wealth Way*. It begins with discovery questions and a conversation with clients about what is most important to them. We help clients organize their financial life along three key strategies: *Liquidity* to help provide cash flow for short-term expenses; *Longevity* for long-term needs; and *Legacy* for needs that go beyond their own and help improve the lives of others, a key part of wealth transfer planning.

## Search for yield

Since the beginning of the COVID-19 pandemic, investors have faced a very different investment landscape when compared with the last decade, with higher rates of economic growth in developed markets and most notably higher inflation.

Nevertheless, we expect changes in monetary policies of the central banks of Switzerland and Europe, which have kept interest rates at historically low levels, to be gradual. The US Federal Reserve has quickly adjusted to a higher-rate path, but the overall expected rates remain low in a historical context. Therefore, while this will create new opportunities for investors in the bond and equity markets, the overall low-yield environment will continue.

As a result, investors searching for sustainable high returns for the longer term continue to diversify into illiquid alternatives (e.g., private equity, property, hedge funds and infrastructure) that can deliver compelling risk-adjusted returns. At the same time, investors continue to look for low-cost, efficient passive strategies across liquid equity markets. We believe the breadth of Asset Management's investment expertise enables us to find the right solutions for clients across asset classes and regions.

# Our response to COVID-19

In 2021, the COVID-19 pandemic, which had caused a globally unprecedented situation in 2020, continued to affect UBS and its employees and required our ongoing focus on safeguarding the well-being of our employees and their families, on serving our clients and ensuring operational continuity.

The rebound in economic activity in 2021 and expectations of further economic recovery was accompanied by the spread of new variants that resulted in all-time high numbers of COVID-19 infections and associated disruption.

## Our support for clients and the economies in which we operate

We continued to support our clients with advice needed to manage their assets and liabilities, along with actively developing investment solutions and global insights.

The program established by the Swiss Federal Council in March 2020 to support small and medium-sized entities (SMEs) by guaranteeing loans granted by banks closed on 31 July 2020. Outstanding commitments of loans granted by UBS under the program amounted to CHF 2.2 billion on 31 December 2021, with a total amount drawn of CHF 1.6 billion, compared with the peak commitments of CHF 3.3 billion and the corresponding total amount drawn of CHF 1.7 billion as of 31 July 2020. No net economic profits have been made since the launch of the program in 2020.

In the US, we continued to support the lending programs created under the CARES Act for small businesses. Working with a partner, we provided loans of USD 1.1 billion under the Paycheck Protection Program until the program expired in May 2021. We donated around USD 1 million of fees earned on such loans in 2021 to COVID-19 relief efforts and around USD 2 million in 2020.

## Our support for communities

Following earlier donations to various COVID-19-related aid projects that support communities across regions in which we operate, and recognizing the critical importance of ensuring access to COVID-19 vaccines globally, in 2021 UBS partnered with Gavi, the global vaccine alliance, to raise funds for its COVID-19 Vaccines Global Access (COVAX) facility. UBS Optimus Foundation raised USD 2 million from clients for the Gavi COVAX facility, which, with matching funds from UBS and the Bill & Melinda Gates Foundation, will support COVID-19 vaccinations for more than 800,000 people in low- and middle-income countries.

More recently, we have committed to a range of relief programs in India through the UBS Optimus Foundation COVID-19 Response Fund. Following the first tranche in the second quarter of 2021, which focused on the delivery of oxygen and other medical supplies to those most in need, the current tranche centers around building healthcare worker capacity across underserved and remote locations, as well as supporting the mental health of children and young people to help them cope with the effects of the COVID-19 pandemic.

## Our support for employees

Throughout 2021, we continued to prioritize the health and safety of our employees and clients and to adapt our processes related to office work and in-person meetings in line with country- and location-specific developments.

Due to the ongoing pressure placed on employees by closed workplaces and schools, restricted activities and varying degrees of lockdown, we continued with a range of supportive measures throughout 2021. The offer to our employees included a variety of tools and resources to support employees' physical, mental, financial and social well-being, as well as continuing flexibility to manage various work / life demands.

## Effects of the COVID-19 pandemic on our financial and capital position

The negative effects of the COVID-19 crisis on our financial and capital positions remained limited in 2021, despite the uncertainties caused by the pandemic.

We maintained a strong capital and liquidity position in the face of the COVID-19 pandemic.

# How we create value for our stakeholders

| Stakeholder group | Stakeholder needs: what our stakeholders expect from us | Value proposition: how we create value for our stakeholders | Key topics discussed: what was important to our stakeholders in 2021 | Stakeholder engagement: how we engage with our stakeholders |
|---|---|---|---|---|
| Clients | Advice on a broad range of products and services from trusted advisors<br>A mix of personal interaction with our advisors in combination with digital service anywhere and anytime (convenient, seamless digital banking is the expectation)<br>Top-quality solutions and the highest standards in terms of asset safety, data and information security, confidentiality, and privacy<br>A combination of global reach and local capabilities targeting positive investment outcomes<br>Competitively priced products and services, risk management, and liquidity | Delivering tailored advice and customized solutions, using our intellectual capital and digital platforms<br>Building long-term personalized relationships with our clients<br>Developing new products, solutions and strategic partnerships in response to clients' evolving needs, including in the digital age<br>Providing access to global capital markets and bespoke financing solutions<br>Meeting increasing sustainable investment and private markets demand from clients | Investment performance in light of the continued low-interest-rate environment coupled with the threat of rising inflation<br>Holistic goal-based financial planning<br>Sustainable finance and investing opportunities<br>Data privacy and security<br>Products and services, including those around digital banking<br>The need for even more personal advice following the start of the COVID-19 pandemic | Individualized client meetings<br>Requests for regular client feedback, feedback monitoring and complaint handling<br>Primarily virtual client events and conferences, including information on key developments and opportunities<br>Client satisfaction surveys<br>Increasing levels of digital interaction with clients |
| Investors | Disciplined execution of our strategy leading to attractive capital returns through dividends and share repurchases<br>Comprehensive and clear disclosures on quantitative and qualitative data necessary to make informed investment decisions<br>Recognizing and proactively addressing strategic opportunities and challenges | Executing our strategy with discipline and agility as the external environment evolves, while aiming to deliver cost- and capital-efficient growth<br>Providing transparent, timely and reliable public disclosures | Strategic plans and updated targets following the change of CEO in late 2020<br>Structural growth in and return potential of our businesses<br>Cost efficiency and ability to generate positive operating leverage<br>Ability to protect or even grow revenues in a low-for-longer interest rate environment<br>Incorporation of ESG factors into the business model, compensation and risk management | Financial reports, investor and analyst conference calls, and webcasts, as well as media updates on our performance or other disclosures<br>General meetings of shareholders<br>Investor and analyst meetings<br>Digital interactions with investors as a result of COVID-19 pandemic restrictions, with limited impact on pre-pandemic meeting schedules and participation, given reliable virtual solutions; the 2021 Annual General Meeting was held virtually |
| Employees | A global, world-class employer, with the expertise and breadth of opportunity to empower people to develop successful careers<br>A collaborative, engaging, supportive and inclusive workplace culture<br>An environment that provides a sense of belonging and the opportunities to positively impact clients, shareholders and society<br>Skill and career development opportunities, including future-skills development, and rewards for performance and impact | Hiring great talent and investing in development, now and for the future<br>Effective, fair people management and compensation policies and practices<br>A strong workplace culture that aligns with our purpose and values, enabling employees to develop their careers and unlock their full potential<br>Holistic support, including health and well-being initiatives, that empowers employees and fosters resilience<br>Comprehensive workforce data analytics enable making better and faster decisions to meet business needs | Our corporate culture, aligned to purpose and enabled by our three keys to success<br>A clear commitment to fair pay<br>A performance management process that supports our strategic priorities<br>Hybrid working options for employees<br>Strategic focus on diversity, equity and inclusion<br>A more agile future; accelerating new ways of working | Regular CEO and GEB communications and events, along with senior leadership, regional and functional sessions with employees<br>Employee surveys and other virtual employee engagement activities<br>Group Franchise Awards and the Kudos peer-to-peer recognition program<br>Health and well-being offerings, employee volunteering and network opportunities, flexible and hybrid-working arrangements |
| Society | Facilitation of economic development that is sustainable for the planet and humankind<br>Maximization of our positive effects and minimization of any negative effects on society and the environment<br>Proactive management of the environmental and societal impacts of our businesses | Promoting significant and lasting improvements to the well-being of communities in which we operate<br>Taking an active role in the transition of our economy toward environmentally and socially sustainable solutions<br>Advising clients to align their business models with ESG parameters and the UN Sustainable Development Goals | Sustainable finance<br>Our climate strategy<br>Our client and corporate philanthropy efforts<br>Reducing inequalities in our local communities | Community investments and partnerships with social institutions<br>Interaction with NGOs<br>Participation in forums and round tables, as well as industry-, sector- and topic-specific debates<br>Dialogues with regulators and governments<br>Support of COVID-19-related aid projects across our communities |

# Clients

Our clients are the heart of our business. We are committed to building and sustaining long-term relationships based on mutual respect, trust and integrity. Understanding our clients' needs and expectations enables us to best serve their interests and to create value for them.

## Our clients and what matters most to them

There is no typical UBS client. Our clients have varying needs, but each of them expects outstanding advice and service, a wide range of choices, and an excellent client experience.

Global Wealth Management focuses on serving the unique and sophisticated needs of high net worth and ultra high net worth individuals, families and family offices worldwide, as well as affluent clients in selected markets. We give them access to outstanding advice, service and investment opportunities from around the globe, delivered by experts they can trust and based on the expertise and insights of our Chief Investment Office (the CIO). Using a holistic, goals-based approach to financial planning, we deliver a personalized wealth management experience and work side by side with clients to help them realize their ambitions. Our client-facing advisors and the global teams supporting them focus on developing long-term client relationships, which often span generations. Clients look to us for expertise in helping them to grow, protect and transfer their wealth, as well as helping them make some of the most important decisions in their lives. From significant liquidity events to professional milestones and personal turning points, we aim to give clients the confidence to move forward and achieve their goals. Through extensive research into clients' preferences and goals, and broader analysis of investor sentiment globally, we constantly evolve our offerings to meet the shifting priorities of today's wealthy clients. This includes investing in digital capabilities and developing products to help clients fund their lifestyles and manage their cash flow, as well as offering guidance on how they can create a lasting and positive impact for their communities and the causes they care about most. We are the leading global wealth manager for clients interested in sustainable investing,[1] with a commitment to developing solutions that enable clients to align their financial goals and their personal values.

› **Refer to "Global Wealth Management" in the "Our businesses" section of this report for more information about sustainable investment offerings**

Personal & Corporate Banking serves a total of approximately 2.6 million individual clients and over 100,000 corporate clients, companies ranging from start-ups to multi-nationals, including specialized entities, such as pension funds and insurers, real estate companies, commodity traders and banks. Our clients include more than 30% of Swiss households, more than 90% of the largest 250 Swiss corporations and more than 50% of midsize to large pension funds in Switzerland. They look for financial advice based on their needs at each stage of their individual or corporate journey. We aim to deliver outstanding advice to all via a multi-channel approach. Clients have access to digital banking, a wide network of branches and remote advice. These channels are designed to deliver a superior, convenient client experience with 24/7 availability, security and value for money, resulting in high levels of client satisfaction. Clients are also offered a broad range of products and services in all relevant areas: basic banking, investing, financing (including mortgages), retirement planning, cash management, trade and export finance, global custody, and company succession, among others. Additionally, they have full access to the solutions of the Investment Bank, Asset Management and Global Wealth Management.

In Asset Management, we deliver investment products and services directly to approximately 2,800 clients around the world, including sovereign institutions, central banks, supranational corporations, pension funds and insurers, as well as to Global Wealth Management and its clients, wholesale intermediaries and financial institutions. By building long-term, personalized relationships with our clients and partners, underpinned by disciplined execution, we aim to achieve a deep understanding of their needs and to earn their trust. We combine our global scale with the independent thinking of our distinct investment teams to utilize innovative ideas, drawing on the breadth and depth of our investment capabilities, across traditional and alternative, active and indexed, to deliver the solutions that clients need.

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, financial solutions, execution and access to the world's capital markets. Our business model is specifically built around our clients and their needs. Corporate clients can access advisory services, debt and equity capital market solutions, and bespoke financing through our reshaped Global Banking business. Our Global Markets business focuses on helping institutional clients engage with local markets around the world, offering equities and equity-linked products, and foreign exchange, rates and credit products and services. Our equities and differentiated content offering is underpinned by Investment Bank Research. The differentiated nature of our research provides access to insight-ready data sets for thousands of companies, and aims to give clients an informational edge. In 2021, approximately 45,000 research reports were produced, with more than six million reads.

1 Euromoney Private Banking and Wealth Management Survey 2021: Overall Global Results.

We know the security and confidentiality of our clients' data is of utmost importance to them, as it is for UBS. That is why we put the highest priority on having comprehensive measures in place that are designed to ensure that client data confidentiality and integrity are maintained. We continually assess and improve our control environment to mitigate emerging cyber threats and meet expanding legal and regulatory expectations. Investments in our IT platforms preserve and improve our IT security standards, with a focus on giving clients secure access to their data via our digital channels and protecting that data from unauthorized access. Although the level of sophistication and the impact and volume of cyberattacks continue to grow worldwide, we are ever vigilant, maintaining a strong and agile cybersecurity and information security program to mitigate and manage cyber risk by providing robust, consistent, secure and resilient business processes.

## Enhancing the client experience through innovation and digitalization

We streamline and simplify interactions with clients through front-to-back digitalization and innovations.

In Global Wealth Management, we develop and deploy digital tools that enhance the value of human relationships, a factor that differentiates UBS. Clients expect the convenience and speed that technology offers but, simultaneously, they feel that a personal experience with advisors is more important than ever. Our advisors use state-of-the-art digital tools to spend more time with clients and better evaluate the full scope of their financial lives. Our clients appreciate digital tools that improve their experience, for example, easy ways to view their portfolios or access research that is tailored to their needs. They also want multiple ways in which to interact with their advisors. The COVID-19 pandemic, and the associated need for physical distancing, has led clients to embrace the use of digital and mobile tools more than ever before. We continue to introduce new and better tools to meet and exceed clients' expectations. For example, our *UBS Manage Advanced [My Way]* app offers clients in selected markets an at-a-glance comprehensive view of their investment portfolio. With access to more than 60 professionally managed investment modules (building blocks), it is underpinned by continuous portfolio monitoring and risk management. The app is interactive; clients can work with their advisors on a tablet to design their own portfolio, easily including elements such as sustainable investing and themes to reflect their individual preferences and priorities. Based on the strong momentum, client demand and inflows, we intend to scale up and further develop *UBS Manage Advanced [My Way]*. In 2021, the *Direct Investment Insights* digital investment service was introduced in Asia and rolled out in Europe and Switzerland. This service provides timely, relevant and actionable investment insights and ideas from the CIO directly to clients' mobile and desktop devices, linking insights with execution in our e-banking and mobile app. In the US, we announced the development of a digital-led, scalable advice model for affluent clients. As a trusted brand with premium content, we see opportunities to deliver our expertise to a broader set of clients, combining digital experience with human advice. In Switzerland, our *UBS Mobile Banking* app has been enhanced so clients can now see relevant investment views and access our real-time quote capabilities before logging in. At a broader level, progress continues on our multi-year strategy to serve clients from two platforms: the *Wealth Management Americas Platform* in the US and the *Wealth Management Platform* outside the US.

Personal & Corporate Banking continued to develop simple, smart, secure and sustainable solutions in 2021, reflecting our digital transformation progress. In May 2021, we launched a new Remote Sales & Advice (RSA) unit to offer Personal Banking clients more flexibility in the way they bank through extended service times and the option to receive professional advice remotely. The new RSA approach was also successfully piloted for Corporate & Institutional clients. Following the excellent results of the 2020 pilot, we initiated a Switzerland-wide rollout of *UBS Multibanking* for corporate clients, an offering that integrates third-party banks for full transparency across accounts and convenient payment execution via a single platform. To assist clients throughout the onboarding phase, we established a virtual support team for the multi-banking solution. Moreover, in response to the growing number of client-support requests via UBS channels, email and telephone, we introduced the *UBS Conversational Platform*, an end-to-end platform enabling clients to get the right answers for their issues quickly without a lot of interaction with call agents or client advisors. To accelerate innovation in the payment business, we announced our *UBS Virtual Credit Cards*, a new generation of purely digitally available cards that can be used in online shops and receive deposits from TWINT, Apple Pay, Samsung Pay and Google Pay. Since its introduction, more than 30,000 virtual cards have been issued. For banking packages, we have launched *UBS me* to replace the previous pre-defined banking bundles. Clients can now put together their individual package based on their own needs and preferences, and are only charged for solutions they actually need. Our *UBS Atrium* mortgage platform for investment properties has been integrated into the *key4* brand, creating a true multi-channel and multi-product offering. As a result of the integration, clients can benefit from digital offering capabilities of the innovative mortgage platform for owner-occupied residential property. In addition, the *Green Mortgage* for income-producing properties is available via *key4* and offers a financial advantage on financing to borrowers who hold recognized sustainability certificates. To give clients access to market-leading solutions beyond banking, we have expanded our network of partnerships. We have joined forces with a Swiss fintech start-up to provide corporate clients with extensive cash management functionalities, from automated generation of expense reports to validation of supplier invoices. To make progress in our journey toward being more agile, we set up a new virtual organization as a collaboration between Personal & Corporate Banking, Global Wealth Management and the Chief Digital and Information Office: the *Agile Delivery Organization*. With more than 26 agile end-to-end delivery crews focused on our clients' needs, we are empowering teams, removing silos and evolving toward an integrated setup to deliver responsive, adaptable and innovative products. With sustainability being a top strategic priority for our business and our client proposition, we have continuously expanded our sustainability agenda. Our platform for volunteer work, *UBS Helpetica*, has so far received 286 project ideas and published more than 180 projects with over 70 non-profit partners across its focus topics: the environment, social issues, education and entrepreneurship. An example of further progress in our sustainability journey came when the *UBS Strategy Funds* were repositioned toward *UBS Strategy Funds Sustainable* in 2021, which led to the transfer of a significant amount of existing custody assets to sustainable solutions.

In Asset Management, we are accelerating our investment in digitalization. We have extended our digital client relationship management pilot tools, technologies and data capabilities to enhance the experience of, and service for, our clients, to foster innovation and to support alpha generation. For example, we will soon launch a scalable platform to enable more efficient development and management of theme-based investment products to meet growing client demand. We continue to expand the suite of tools used by our Quantitative Evidence & Data Science team, who utilize alternative and traditional data combined with statistical modeling to enhance and augment our fundamental and systematic investment processes. To simplify and enhance our client servicing, we are introducing improvements in client and data analytics.

The Investment Bank strives to be the digital investment bank of the future, with innovation-led businesses driving efficiencies and solutions. In February 2021, we announced the creation of a *Digital Platforms* function within the Investment Bank across Global Markets and Global Banking, to work on exponential transformation through experimentation, innovation, and external partnerships. The *Digital Platforms* function is critical to delivering on our client promise. In Global Markets, our *Technology-Enhanced Sales (TES)* teams work in close partnership with our Data Intelligence, Group Technology, and Client Coverage teams to embed our data and technology capabilities across all client teams and enhance our client service. *TES* allows clients to choose where and how we deliver content and uses data modeling to customize the content they receive. *UBS Neo*, our award-winning multi-channel platform and enterprise ecosystem for digital clients, lets our professional and institutional clients access a comprehensive suite of products and services covering the full investment life cycle. Historically, most clients used only one or two of the capabilities available to them via *UBS Neo*. We have now transformed the client experience through a new personalized version of the platform, including the launch of an app store. *Investment Bank DigiOps*, our Operations team working in collaboration with Group Technology on digital innovation projects, is enhancing the client experience through a digital platform that continues to make progress on simplifying Operation's technology infrastructure, increasing front-to-back efficiency and enhancing our decision making and relevance to clients. New non-bank competitors have secured a foothold in our markets, while fintech firms have carved out and dominated entirely new segments. In response, we created a team focused on strategic investments and fundamentally new market infrastructure. By utilizing distributed ledger technology, Global Markets is transforming the business models of products where the Investment Bank has been strong historically. One example is *UBS Gold*, our global physical gold transaction network of retail investors, gold merchants, institutional investors and vault providers that enables clients to buy and sell at interbank prices. A tokenized representation of underlying physical gold provides fractional ownership with low-friction transactional capability. Our vision is to accelerate the tokenization of financial products traded by UBS clients. In November 2021, the Investment Bank helped SIX Group to launch the first ever Swiss franc-denominated digital bond offering, which is listed, traded and settled on the newly established SIX Digital Exchange. Global Banking has also prioritized the client experience. *Global Banking Data & Analytics Lab* uses data science, predictive analytics and quantitative models to develop solutions for our businesses. *UBS-GUARD* applies data science and predictive analytics to Global Banking business users, predicting the risk of companies becoming the targets of activists, identifying deal opportunities and helping navigate client pitches. Our *SPAC database* is a fully automated database of in-market special purpose acquisition companies (SPACs) created to match SPACs with potential acquisition targets and help increase efficiency and collaboration across sectors and regions.

## Engaging with our clients

We use a variety of channels to engage with clients, including regular client relationship and service meetings, as well as various corporate roadshows and dedicated events. Digital interaction with clients increased as the pandemic continued.

Global Wealth Management interacted with clients via various settings in 2021, from personalized private briefings with subject matter experts to segment-specific virtual events and large-scale initiatives. We utilize marketing campaigns, events, advertising, publications and digital-only solutions to help drive greater awareness of UBS among prospective clients and reinforce trust-based relationships between advisors and clients.

Personal & Corporate Banking holds regular client events (mostly webcasts and virtual or hybrid events since the onset of the COVID-19 pandemic), covering a wide range of topics. In 2021, we increasingly engaged with clients via online channels, such as social media, online displays and search engines, and further decreased our use of traditional out-of-home channels.

In Asset Management, we have a consistent program of client events and engagement activities throughout the year. This includes our flagship conferences, such as the annual *UBS Reserve Management Seminar,* and we held our inaugural *Alternatives Conference* in 2021. Alongside this, our teams continued the high level of interaction with clients globally in 2021, facilitated by new digital tools, and our publication of macro insights and thought leadership to provide timely insights into rapidly evolving markets. We also hosted a broad range of virtual events, including our *Nobel Perspectives* webinar series, to help our clients better understand market challenges and investment opportunities, and we continued to engage with clients through our social media and online channels.

The Investment Bank hosted over 170 investor conferences and educational seminars globally in 2021, covering a broad range of macro, sector, regional and regulatory topics. Almost all of those conferences were held virtually. More than 40,000 clients took part in such events in 2021, providing insight and access to our own opinion leaders, policymakers and leading industry experts. We leverage our intellectual capital and relationships and use our execution capabilities, differentiated research content, bespoke solutions, client franchise model and global platform to expand coverage across a broad set of clients. *UBS Neo Question Bank* is the largest global database of market-related questions asked by professional investors, while *UBS Live Desk,* built within the *UBS Neo* platform, provides clients with a stream of fast-paced commentary from UBS traders.

## How we measure client satisfaction

We use multiple techniques to regularly assess our achievements and the satisfaction of our clients.

Global Wealth Management is increasingly using technology and analytics capabilities to collect and respond to client feedback. Our digital client feedback tool lets clients submit, via mobile and the web, input about overall satisfaction with advisors and UBS, and share key topics they wish to discuss with their advisors. Advisors and their teams have seamless, real-time access to client feedback, enabling them to be highly responsive. The tool is available in the US and Asia Pacific, as well as most EMEA countries.

Personal & Corporate Banking has conducted annual surveys of clients in Switzerland since 2008, consistently covering all private and corporate client segments annually since 2015. Clients provide feedback on their satisfaction with regard to various topics (e.g., UBS overall, branches, client advisors, products and services) and indicate further product or advisory needs. Survey responses are distributed to client advisors, who follow up with each respondent individually. In 2021, we had an all-time high client satisfaction and net promoter score (NPS), and achieved a 77% follow-up rate with survey participants.

The Quality Feedback system in Global Wealth Management and Personal & Corporate Banking provides a comprehensive and systematic platform to receive and process client feedback and suggestions. We receive feedback in various forms and through different channels, including in writing, electronically, orally to client advisors and staff in our branches and other client touch points, via social media channels, and via the Swiss Banking Ombudsman. Client feedback, including complaints and suggestions, is vitally important, as it shows direct and unfiltered client needs, supports the development and introduction of new products and services and hence fosters the optimization of our offering in a client-focused manner. By addressing client feedback, we aim to strengthen client relationships, improve client satisfaction and make tangible improvements to our services. By sharing their views, clients contribute to quality improvements at all levels. We aim to respond to each individual who provides feedback. In 2021, key topics and enhancements centered mostly around digital banking functionalities, digital client onboarding and the reorganization of UBS's branches and services.

In Asset Management, we have an integrated process to record and manage client feedback through our client relationship management tool. We also conduct regular surveys, covering our wholesale and institutional clients globally, inviting them to assess their satisfaction with our client service, products and solutions, as well as other factors relevant to their investments. The results are analyzed to identify focus areas for improvement and our client relationship managers follow up with respondents to address specific feedback where required.

The Investment Bank closely monitors client satisfaction via individual product coverage points. Direct client feedback is actively captured and tracked in our systems. Internal regional forums serve as a platform for senior management to discuss client relationships, possibilities for improvement, potential opportunities and specific client issues. Other processes are in place to enable consolidated findings to be shared within UBS as appropriate. The Investment Bank also closely monitors external surveys, which provide feedback across a range of investment banking services. We continue to make progress in simplifying our technology infrastructure, focusing on increasing front-to-back efficiency and enhancing our decision making and relevance to clients. In November 2021, we launched the first Annual Global Markets Client Survey to gauge our clients' experience of UBS and the products and services that are important to them, measuring client satisfaction and loyalty. In 2021, over 49% of Global Markets clients surveyed expected to increase their market share with UBS in the next six months. When ranking the most important factor in choosing a market partner, relationship management coverage and connectivity were a priority, further underlining the importance of our people. When asked about future capabilities, our clients ranked highly the need for profiled personalization of products and services, underlining the importance of our *Digital Platforms* and our *TES* initiative.

We thoroughly evaluate the feedback we receive, including complaints from clients, and take measures to address key themes identified. For example, in 2021, Personal & Corporate Banking clients expressed an increasing need for security and trust. The ongoing optimization and digitalization of products has been well received by clients across all segments. However, in light of ongoing branch closures, clients would like further digitalization. Furthermore, feedback indicated that clients developed high levels of acceptance for telephone or video advice and were increasingly satisfied with the service received via Global Banking.

# Investors

We aim to create sustainable, long-term value for our investors by executing our strategy with discipline, maintain risk and cost discipline, and deliver attractive shareholder returns.

## Investor base

Our investor base is well diversified. A substantial proportion of our institutional shareholders are based in the US, the UK and Switzerland.

› **Refer to the "Corporate governance" section of this report for more information about disclosed shareholdings**

## Alignment of interests

We aim to align the interests of our employees with those of our equity and debt investors, and this approach is reflected in our compensation philosophy and practices.

› **Refer to "Our compensation philosophy" in the "Compensation" section of this report for more information**

## Driving growth while maintaining risk and cost discipline

We are focusing on growth, as we expand into new client segments and accelerate our strategic technology investments. Across the firm, we intend to maintain our risk and cost discipline to support our growth plans, with continual enhancement of day-to-day efforts.

We are aiming to create sustainable value through the cycle. To accomplish this, we have outlined selected commercial and environmental, social and governance (ESG) aspirations, which should support our financial targets.

Our primary measurement of performance for the Group is return on common equity tier 1 (CET1), as regulatory capital is our binding constraint and drives our ability to return capital to shareholders.

› **Refer to the "Targets, aspirations and capital guidance" section of this report for more information**

## Active capital management to enable growth and deliver attractive shareholder returns

Our first priority is ensuring that we can maintain a strong balance sheet. This includes our strong capitalization, in line with our capital guidance of maintaining a CET1 capital ratio of around 13% and a CET1 capital leverage ratio of greater than 3.7%.

As a second priority, we consider opportunities for investment in growth.

Our third priority is returning capital to shareholders in the form of dividends, and we intend to pay progressive cash dividends. For 2021, the Board of Directors intends to propose a dividend to UBS Group AG shareholders of USD 0.50 per share.

After these three priorities have been met, we intend to distribute excess capital to shareholders via share buybacks. In 2021, we bought back USD 2.6 billion of our shares. Looking ahead, we intend to buy back up to USD 5 billion of shares by the end of 2022.

› **Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information**

## Communications

Our Investor Relations (IR) function is the primary point of contact between UBS and our shareholders. Our senior management and IR regularly interact with institutional investors, financial analysts and other market participants, such as credit rating agencies. Clear, transparent and relevant disclosures, and regular direct interactions with existing and prospective shareholders, form the basis for our communications. The IR team relays the views of and feedback on UBS from institutional investors and other market participants to our senior management.

IR and our Corporate Responsibility function work together and interact with any investors interested in sustainability topics relevant to UBS and wider society.

› **Refer to the first nine pages of the "Corporate governance" section of this report and "Information policy" in that same section for more information**

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

# Employees

At UBS, we know the meaning of long-term commitment; to our clients, investors, employees, communities and society. With our employees, this commitment is personal. We are dedicated to being a world-class employer where our employees can leverage and continually enhance their skills, partnering with clients and colleagues on solutions that make a real difference.

Our people leadership approach aligns with our strategy and our purpose, as both rely on engaged and empowered individuals to drive them forward. Our employees are the key to realizing our ambitions. Reimagining the power of people and making connections are at the heart of what we do. Every day, our global team connects people with innovative ideas and opportunities that lead to better results for UBS and for our clients, as well as to progress in society.

## Our purpose drives our strategy and culture

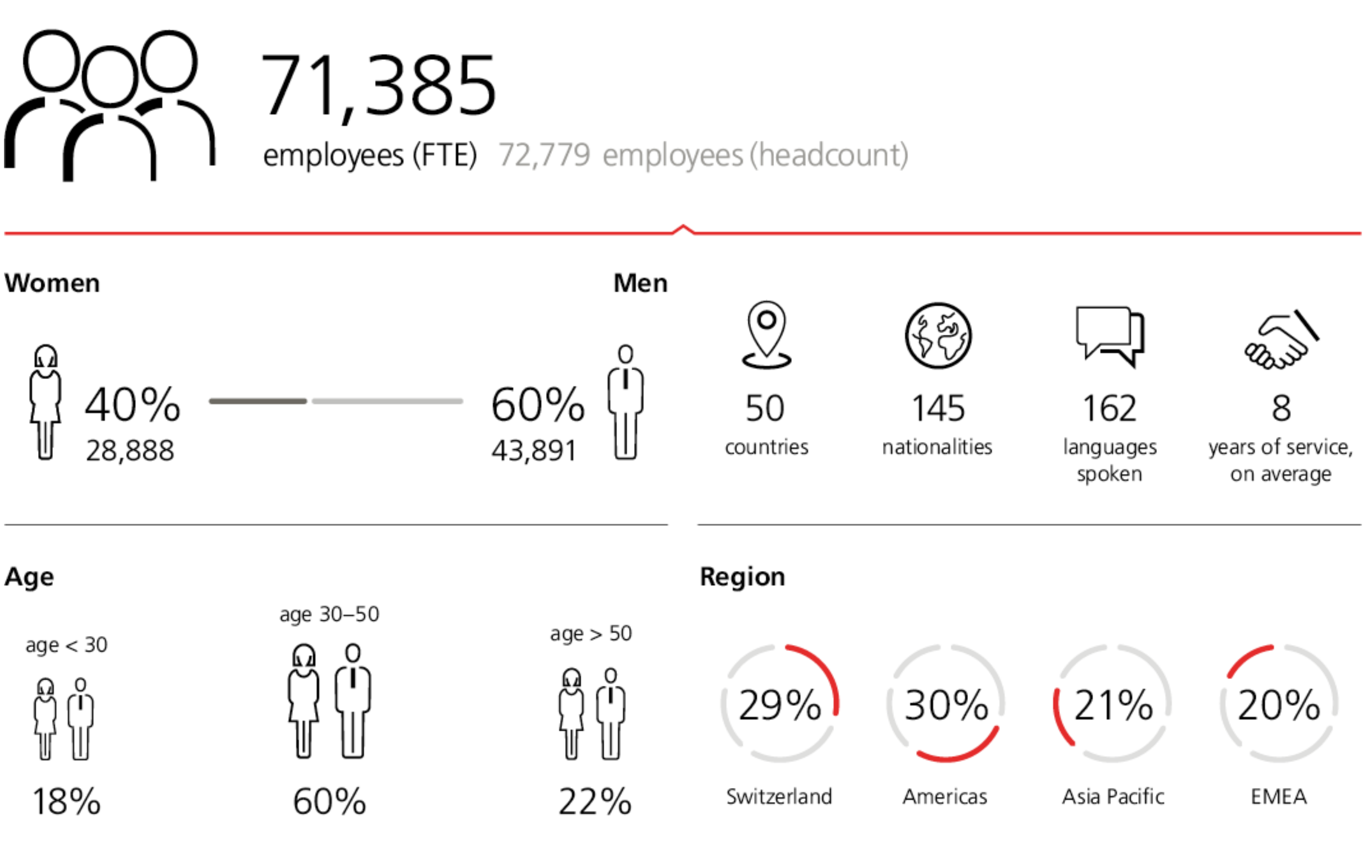
Our purpose articulates why we do what we do and why it matters. Our culture affects how we do things and is firmly grounded in our three keys to success: our *Pillars, Principles and Behaviors*. To help ensure that our culture advances our strategic goals, we updated our three keys to success in 2021 to reflect our purpose, client promise and strategic imperatives. For the past decade, these keys have defined how we work together and what we stand for, as a firm and as individuals. They continue to drive daily business decisions and are integrated into our people management processes.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about our Pillars, Principles and Behaviors**

We promote culture-building behavior through a number of global, regional and divisional initiatives. Notably, since 2016, our *Group Franchise Awards* (GFA) program has rewarded employees for promoting cross-divisional collaboration and innovation. A related idea-sharing site enables employees to cooperate on solutions for operational, client service, sustainability and technology challenges. Nearly 6,000 ideas have been submitted since its launch, with approximately 450 ideas implemented or supported for future implementation.

A peer-to-peer recognition program instituted in late 2020 encourages employees to recognize colleagues' exemplary behavior. Called *Kudos*, this initiative serves to bring teams together and increase motivation, engagement and employee satisfaction, with a total of around 420,000 messages of recognition given since the program was launched.

**Our workforce at a glance[1]**




1 Calculated as of 31 December 2021 on a headcount basis of 72,779 internal employees only.

### Leadership, engagement and culture

Connecting people with transformative ideas and becoming a more agile organization starts with our leaders. In 2021, we updated our *House View on Leadership* to reflect the behavior that we expect every leader to demonstrate toward employees, clients and business activities. Leaders at all levels are also expected to foster simplification, empowerment and accountability in their teams to support our ongoing transformation.

Key to maintaining a strong culture are listening to employees and acting on their feedback. Launched in mid-2021, our new employee-listening strategy uses Group-wide surveys conducted by an external provider to measure indicators such as line manager effectiveness, and in-depth research to solve specific business issues. As an example, an Organizational Health Index assesses firm-wide alignment with strategic goals, working practices and adaptability. Employee responses in 2021 directly influenced the development of our purpose, our new performance management approach and our increased focus on innovation, sustainability and impact.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about our management practices, and to the foldout page of this report for more information about our purpose**

### Toward a more agile future

Driven by our strategic imperatives and in response to evolving client needs, we are accelerating the adoption of new ways of working together. In particular, agile working practices, and agile teams where they make sense, will enable us to be more responsive, adaptive and innovative in everything we do. Multidisciplinary teams working across the firm will create better outcomes for clients and improve our employees' work experience. In 2021, we launched a first wave of the *Agile@UBS* program ahead of a broader implementation in 2022. Currently, we have 10,000 employees transitioning to the new *Agile@UBS* ways of working by the end of the first quarter of 2022 and we are on track to have over 20,000 employees working in *Agile@UBS* by the end of 2022. Participants' experiences, along with coaching and specialized training delivered through the Agile Academy within our UBS University, will enable us to systematically roll out *Agile@UBS* to more business areas going forward.

## Our commitment to diversity, equity and inclusion (DE&I)

In our experience, diverse teams better understand and relate to our equally diverse clients and their needs. Furthermore, employees with different backgrounds and experiences drive innovation and better decision making. Our aim, therefore, is to shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients and offers equitable opportunities so that all employees may thrive.

Our broad approach encompasses a range of aspects, including inclusive leadership, gender, ethnicity, LGBTQ+ and disability. Along with a concerted focus on building inclusive leadership skills, increasing gender and ethnic diversity, and ensuring equitable policies and practices were priorities in 2021. Regarding gender, we aspire to have 30% of Director and above roles held by women by 2025. At the end of 2021, that figure stood at 26.7%, up from 26.0% in 2020. Similarly, our 2025 aspiration is to achieve a 26% representation of ethnic minorities at Director level and above in the UK and the US. As of the end of 2021, this figure was 20.1% in the US and 21.3% in the UK.

Initially launched in Switzerland in 2016, our global *UBS Career Comeback* program continues to help us increase our pipeline of female leaders. To date, the program has helped 196 women and 19 men relaunch their careers.

In addition to strategic initiatives, each year we sponsor numerous activities to promote inclusivity and a culture of belonging. Chief among them are activities provided by our 48 employee networks across the firm. Employee volunteers regularly host educational events and initiatives focused on gender, culture, ethnicity, LGBTQ+ / Pride, disability, veterans, parenting, elder care and other topics. Our employee networks also raise the visibility of employees' needs and help shape our DE&I program, local benefits offerings, and more. Disability is a key focus area: as such, the firm became a member of The Valuable 500 in 2021, committing to make disability inclusion part of the firm's business leadership agenda.

› **Refer to *ubs.com/diversity* for more information about our DE&I priorities, commitments and progress**

**Personnel by region**

| | As of | | | % change from |
|---|---|---|---|---|
| *Full-time equivalents* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.20 |
| Americas | 21,317 | 21,394 | 21,036 | 0 |
| *of which: USA* | *20,537* | *20,528* | *20,232* | *0* |
| Asia Pacific | 15,618 | 15,353 | 13,956 | 2 |
| Europe, Middle East and Africa (excluding Switzerland) | 14,091 | 13,899 | 12,918 | 1 |
| *of which: UK* | *6,051* | *6,069* | *5,704* | *0* |
| *of which: rest of Europe (excluding Switzerland)* | *7,826* | *7,652* | *7,048* | *2* |
| *of which: Middle East and Africa* | *215* | *178* | *166* | *21* |
| Switzerland | 20,359 | 20,904 | 20,691 | (3) |
| Total | 71,385 | 71,551 | 68,601 | 0 |

## Practices that help us remain an employer of choice

Compensating employees fairly and consistently is key to ensuring equal opportunities. We pay for performance, and we take pay equity seriously. A strong commitment to both is embedded in our compensation policies, and we conduct both internal reviews and independent external audits as quality checks. If we uncover gaps that cannot be explained by business factors or appropriate personal factors – such as experience, role, responsibility, performance or location – we explore the root causes of those gaps and address them. Additionally, our regular monitoring and review processes also allow us to maintain our certification status with the EQUALSALARY Foundation for our equal pay practices in Switzerland, the US, the UK, Hong Kong SAR and Singapore. The firm also successfully completed an equal pay analysis in Switzerland in 2020, as required by the Swiss Federal Act on Gender Equality. The results of the analysis confirmed that we are fully compliant with Swiss equal pay standards. These holistic certifications are a testament to our well-established equal opportunity environment and the strength of our human resources practices, including performance and reward. In 2021, we continued to monitor pay fairness and addressed any unexplained gaps to ensure that all employees are paid fairly. All employees have access to competitive benefits, including insurance, retirement and personal leave.

› **Refer to the "Compensation" section of this report for more information about compensation-related topics**

### Meeting employees' needs while improving services for clients

Working both from home and from the office became the norm for many employees in 2021, with surveys indicating strong support for continued flexibility. Following a global analysis that considered factors such as regulation, risk and productivity, we determined that approximately 75% of our employees could be eligible to work in a hybrid setup. In addition to fostering better work / life balance, a hybrid model makes us a more attractive employer to a wider pool of applicants, such as early-career talent, working parents and those in continuing education. The emphasis on technology and virtual collaboration also sparks innovative thinking that will make us more agile and further improve client service. We are implementing hybrid working on a country-by-country basis, along with wide-ranging support to ensure that employees, teams and our culture all continue to thrive.

### Health and well-being

Supporting employee health and well-being remained a priority in 2021. We are committed to helping employees thrive in their current roles and deliver sustainable performance over time. Regular "pulse" surveys gauged employees' views on remote work, stress, communication and other aspects. Resources to help employees support holistic well-being featured a bespoke eLearning curriculum, physical and mental health initiatives, volunteering opportunities, increased benefits offerings in certain locations, and financial education.

### Employee representation

We maintain an open dialogue with our formal employee representation groups, all of which are in Europe, as part of our commitment to being a responsible employer. These groups represent 17 countries and consider issues that may affect our performance, operations and prospects. Collectively, these groups represent approximately 49% of our global workforce.

### Attracting, developing and retaining the best talent

Fostering an agile and connected workforce is a priority for the near term. We therefore need to have processes in place that are designed to ensure that we have the best people, in the right roles, at the right time, to achieve our strategic goals. Comprehensive workforce data dashboards help us analyze all aspects of the employee life cycle, including recruitment, performance management, training, internal mobility and attrition, along with demographic and diversity aspects, such as gender and ethnicity. This helps us identify trends quickly and make fact-based decisions grounded in human resources data.

Throughout 2021, we hired new talent where necessary to launch or expand businesses and to fill gaps in our workforce. We recruit for potential and cultural fit, hiring beyond immediately relevant skills to include the person's experience, competencies and digital aptitude. We hired a total of 9,363 external candidates in 2021, adding more than 1,700 graduates and other trainees, apprentices and interns through our various junior talent programs. We invest in young talent in every region, supporting national apprenticeship programs in Switzerland and the UK and summer internship programs in many locations. In Singapore, UBS worked with the government to set up a program to support ongoing employability during the pandemic and to increase the resilience of regional banking infrastructure. Our approach has garnered numerous external accolades in 2021, including a top-50 ranking in the World's Most Attractive Employers from employer-branding experts Universum, for the 13th consecutive year.

› **Refer to *ubs.com/employerawards* for more information about our most recent employer rewards**

### Focusing on performance and development

Resetting the firm's strategic course sparked a comprehensive review of our performance management practices in 2021. As a result, we introduced a new approach called *MyImpact* that aims to better support our strategic priorities and reinforce our culture, as well as making our year-end review, objective setting and employee feedback processes simpler and more transparent.

Key to our talent management strategy is offering employees opportunities to build interesting careers. Our innovative digital *Career Navigator* platform, which now features short-term rotation opportunities, promotes internal mobility across teams, functions and business divisions. Employees can explore career paths, search for jobs and connect with colleagues while allowing our recruiters to more easily source internal talent. The tool also identifies potential competency gaps and automatically recommends appropriate training. Since inception, *Career Navigator* has helped 47,600 employees search for short-term job opportunities or find internal experts, discover possible career paths and match themselves to open roles. More than 160,000 skills were added to our employee skills-sharing platform in 2021.

Our in-house UBS University plays a central role in fostering diversity of thought within the firm, and in building employees' skills for use now along with capabilities for the future. Our offering includes line manager and leadership development, advisory and sales training, and industry-leading certification for client advisors, as well as data literacy, agile working and health and well-being topics. Altogether in 2021, our permanent employees completed more than 1,425,000 learning activities, including mandatory training on compliance, business and other topics, resulting in an average of more than two training days per employee.

# Society

The world's social and environmental problems are too big and complex to tackle alone. Lasting change can only be achieved when philanthropists and public and private organizations work collectively to maximize positive impact for people and the planet.

Our clients can maximize the positive effect of their giving through our diverse social impact offering: UBS Philanthropy Services and the grant-making UBS Optimus Foundation, as well as UBS Global Visionaries and UBS Community Impact.

## Reimagining client philanthropy

With nearly 70 philanthropy experts around the globe, we help clients to maximize their impact locally, nationally and globally. We have partnered for more than two decades with clients and their families by using an investment-based approach and connecting them to an international network of expertise and support.

To best serve our clients, we base our approach on three pillars: Advice, Insights and Execution. *Advice* – consulting with clients who are considering setting up their first charitable fund and guiding them on tax-efficient giving, thus maximizing the value of charitable giving. *Insights* – connecting our clients to a global network of experts, both within and outside UBS (e.g., through insight trips, publications, events with fellow philanthropists, thought leaders and social entrepreneurs, such as UBS Global Visionaries). *Execution* – providing clients with flexible options for managing their philanthropic giving, including structures such as our donor-advised funds (DAFs) and our new *UBS Collectives*, and supporting curated programs via UBS Optimus Foundation.

### Donor-advised funds

A DAF offers clients an easy, flexible and efficient alternative to setting up their own foundation. UBS has offered DAF services in the US for some time, and in 2014 we established a DAF in the UK, which has since had over GBP 450 million in donations. The UBS Philanthropy Foundation was launched in Switzerland in 2020: it has raised more than USD 10 million in donations and in its first year of operations launched its first thematic fund, which is dedicated to the environment.

### UBS Optimus Foundation

With a track record of over two decades, UBS Optimus Foundation is recognized globally as both a philanthropic thought leader and a pioneer in the social finance space, through which we leverage solutions to mobilize private capital in new and more efficient ways. The foundation uses an evidence-based approach and focuses on programs that have the potential to be transformative, scalable and sustainable. It conducts extensive due diligence and only recommends what it considers to be the most innovative programs that have the capacity to achieve long-term, measurable impact. UBS also makes matching contributions to the foundation, to help our clients' donations go even further.

The *UBS Collectives* also utilize an evidence-based approach and bring together philanthropists to pool their funds, share their expertise and achieve a longer-term impact. The *Collectives* are a three-year learning journey during which philanthropists follow a curriculum, network with peers and engage in programs with the goals of preventing family separation, mitigating climate change and funding programs linked to measurable results. In 2021, USD 21 million in funding was raised for this long-term systems-level change approach.

## UBS Global Visionaries

The private sector has a crucial role to play in supporting innovative, sustainable solutions to some of the world's most pressing problems. This is why we launched the UBS Global Visionaries program in 2016 with two main goals: (i) to create opportunities for our clients and prospective clients to connect in person (or virtually) with leading social entrepreneurs; and (ii) to help our UBS Global Visionaries scale their positive change by expanding their global network, building capacity and raising awareness about their work. Since the program started, we have supported 63 entrepreneurs across the globe, who all work toward achieving a variety of the UN Sustainable Development Goals. At the end of 2021, 20 of those entrepreneurs were engaged in the program as active Global Visionaries, more than 60 prospective clients and clients had been directly connected with them, and 80 events hosted by UBS at which they were featured speakers. Over 29,000 stakeholders (such as prospective clients, clients and employees) participated in these events. Feedback from our clients shows this gives them new ways to engage in their passions and learn about new topics or technologies. In return, our UBS Global Visionaries benefit from clients sharing their skills, experience and contacts.

## UBS Community Impact

We are committed to supporting the communities in which we work. Our employees, clients and shareholders expect us to play our part in addressing social issues – and we believe it is the right thing to do. Direct cash contributions, including support through our Community Impact program, UBS's affiliated foundations in Switzerland, the UBS Foundation of Economics in Society at the University of Zurich and contributions to UBS Optimus Foundation, amounted to a total of USD 59 million in 2021. During 2021, we focused on addressing social and wealth inequality in our local communities through education and skill building. Given the ongoing impact of the pandemic in 2021, we continued to provide some COVID-19 relief to support the most vulnerable, as well as supporting recovery and rebuilding efforts through our community partners.

Following the announcement of UBS's purpose in April 2021, we undertook a review of our global Community Impact strategy in light of UBS's new sustainability commitment. We will increase our focus on education and skills with the implementation of our revised strategy in 2022.

UBS's overall charitable contributions are measured using the industry-leading Business Investment for Societal Impact framework (B4SI). This includes cash, employee time, and in-kind support.

› **Refer to "UBS's charitable contributions" in the "What" section of the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

# Our focus on sustainability and climate

Our commitment to sustainability starts with our purpose. We know finance has a powerful influence on the world. At UBS, we reimagine the power of people and investment, to help create a better world for everyone: a fairer society, a more prosperous economy and a healthier environment. That is why we partner with our clients to help them mobilize their capital toward a more sustainable world and why we have put sustainability at the heart of our own business.

We are guided by the goal of being the financial provider of choice for clients that want to mobilize capital toward the achievement of the 17 Sustainable Development Goals (the SDGs) of the United Nations (the UN) and the orderly transition to a low-carbon economy. We are advancing toward 2030, the designated deadline to achieve the SDGs. The SDGs focus on issues such as climate change, equality and healthcare – major challenges for our world now and over the coming years.

To help us maximize our impact and direct capital to where it is needed most, we are focusing on three key areas to drive the sustainability transition: planet, people, partnerships.

- *Planet:* Climate is a clear focus for us as we shift toward a lower-carbon future. We have committed to achieving net-zero greenhouse gas emissions resulting from all aspects of our business by 2050.
- *People:* We believe in a diverse, equitable and inclusive society. We are taking action to get there, within our own workplace and beyond.
- *Partnerships:* By working in partnership with other thought leaders and standard setters, our goal is to achieve impact on a truly global scale.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about how UBS is advancing sustainability in the financial sector and beyond**

## Our sustainability and impact governance

Sustainability activities, including sustainable finance, are overseen at the highest level of UBS, by the Board of Directors (the BoD) and the Group Executive Board (the GEB), and are grounded in our Code of Conduct and Ethics (the Code).

### Code of Conduct and Ethics

In our Code of Conduct and Ethics, the BoD and the GEB set out the principles and practices that define our ethical standards and the way we do business, which apply to all aspects of our business. All employees must affirm annually that they have read and will adhere to the Code and other key policies, supporting a culture where ethical and responsible behavior is part of our everyday operations. In our Code we make a commitment to acting with the long term in mind and creating value for clients, employees and shareholders. We aspire to do our part to create a fairer, more prosperous society, championing a healthier environment and addressing inequalities at their root. This ethos underpins our purpose and is in line with our external commitments, such as our pledge to help making progress toward the SDGs.

In 2021, we revised the Code in line with our focus on simplification, making it shorter, sharper and better aligned to our strategic imperatives.

› **Refer to the Code of Conduct and Ethics of UBS, available at *ubs.com/code*, for more information**

### Board of Directors and Group Executive Board

The BoD is responsible for setting UBS's values and standards to ensure the Group's obligations to stakeholders are met. Both the Chairman of the BoD and the Group CEO play a key role in safeguarding our reputation and ensuring we communicate effectively with all of our stakeholders.

The BoD's Corporate Culture and Responsibility Committee (the CCRC) is the UBS body primarily responsible for corporate culture, responsibility and sustainability. The CCRC oversees our sustainability and impact strategy and activities and approves Group-wide sustainability and impact objectives. The Group CEO has delegated to the GEB lead for sustainability and impact, Suni Harford, the responsibility for setting the firm's sustainability and impact strategy, in agreement with fellow GEB members.

The GEB sets the overall risk appetite for the firm and resolves overarching matters relating to sustainability and climate risks, including risk management framework, policies, and disclosure. Group Risk Control is responsible for the development and implementation of principles and an appropriate independent control framework for sustainability and climate risks within UBS, and the integration of the principles and the framework into the firm's overall risk management and risk appetite frameworks.

### Group Sustainability and Impact

The Group Sustainability and Impact (GSI) organization was created in 2021 to support the GEB lead for sustainability and impact with carrying out her responsibilities. GSI comprises the Chief Sustainability and Social Impact offices, headed by the Chief Sustainability Officer (the CSO) and the Head Social Impact. The CSO is responsible for driving the implementation of the Group-wide sustainability and impact strategy, including reporting on our progress toward net zero, and the execution thereof by the business divisions and Group Functions. The Head Social Impact is responsible for driving and implementing our social impact strategy, including UBS Community Impact, UBS Philanthropy Services and UBS Global Visionaries. Progress toward the firm's sustainability and impact strategy, including climate strategy, and associated targets is reviewed at least annually by the GEB and the CCRC.

### Sustainability Risk, Finance, Compliance and Legal functions

The Chief Risk Officer for Sustainability oversees sustainability activities relating to risk, including the climate risk program, and supports the GEB by providing leadership on sustainability in cooperation with the business divisions and Group Functions.

The Sustainability Chief Financial Officer, a member of the Group Finance function, ensures that sustainability considerations are embedded into the firm's financial decision-making processes, supports the expanding external sustainability disclosures arising from both new regulatory requirements and voluntary commitments made by our firm, and oversees the continued development of the firm's financial control environment that underpins our disclosures.

The Sustainability Expert Group within the GCRG function was established in 2021 due to the strategic importance of sustainability to UBS, the rapidly evolving nature of the regulatory and policy agenda in this area, and GCRG's desire to ensure the firm is able to interact effectively and proactively with policy-makers, the regulatory supervisors of the Group and other relevant stakeholders.

The global environmental, social and governance (ESG) legal team within the Group General Counsel function advises the business on sustainability-related risks across UBS's operations. It plays an important role in advising the business teams on existing and emerging rules and regulations governing sustainable investing and sustainable lending.

› **Refer to "Board of Directors" in the "Corporate governance" section of this report for more information about the CCRC**

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about our governance of sustainability and impact**

## Our approach to sustainable finance

The UN estimates the gap in funding needed to achieve the SDGs by 2030 at USD 2.5 trillion to USD 3 trillion annually,[1] with some experts putting the number even higher. We recognize this as both a challenge for society and an opportunity for our clients. As a global financial institution, we have a role in reaching the SDGs, by directing capital to where it is needed the most.

Our clients turn to us for advice on how they can help to finance the transition to a low-carbon economy, support sustainable finance, align their investments with their personal values, and better risk manage their portfolios and businesses. They want to take advantage of these opportunities, while also managing the risks associated with this transformational challenge.

Our clients' growing interest in sustainable finance is clearly shown in a number of key surveys. According to a global UBS Investor Sentiment survey,[2] 66% of investors see sustainable investing as highly important to their portfolio strategy. When it comes to business owners, 61% believe sustainability could generate more revenue, 57% believe it could improve client relationships and 55% believe it could do the same for relationships with employees.

A global survey published in 2021 titled "Resetting the agenda How ESG is shaping our future"[3] found that three-quarters of institutional investors agree that the COVID-19 pandemic will accelerate the general interest in ESG and capital inflows into sustainable investments over the next three to five years. Of those surveyed, 65% plan to integrate ESG into at least 25% of their assets under management for the next 12 months. Importantly, almost three-quarters of survey respondents agreed that investments integrating ESG factors performed better financially than equivalent traditional investments in the three years prior to 2020.

We are committed to serving our clients' growing sustainable finance needs and expectations. More fundamentally, we believe sustainable finance is the future of finance. Recognition of impact on financial performance, regulatory developments, evolving societal norms, investor demand and consumer preference are factors that contribute to drive the continued evolution of mainstream investing toward more holistic long-term-oriented approaches.

We are looking to create more scalable sustainable and impact investing solutions that deliver competitive financial returns, and to advise our corporate clients on risks to their business models, while driving positive outcomes. Fundamentally, for the benefit of our clients, we are helping to shape the landscape of sustainable finance by using thought leadership, innovation and partnerships to support them in their sustainability efforts.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about our sustainability and impact strategy and activities**

› **Refer to the sub-section below for more information about our climate governance, strategy, risk management, and metrics and targets and to the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for the full UBS climate disclosures**

### Defining sustainable finance

Sustainable finance refers broadly to any form of financial service that aims to achieve positive sustainability outcomes, including through the integration of ESG criteria into business or investment decisions. This encompasses sustainable investing and sustainable financing solutions. Sustainable finance has long been a topic firm-wide and there is now a sharpened understanding in the market of its importance, accelerated by factors such as the COVID-19 pandemic and a changing climate. Our aim is to continue to help our clients meet their investment and financing objectives through sustainable finance.

1 *un.org/sustainabledevelopment/sg-finance-strategy*
2 About the survey: UBS surveyed 3,004 investors and 1,202 business owners with at least USD 1 million in investable assets (for investors) or at least USD 1 million in annual revenue and at least one employee other than themselves (for business owners), between 28 September and 18 October 2021. The global sample was split across 15 locations: Argentina, Brazil, Mainland China, France, Germany, Hong Kong SAR, Italy, Japan, Mexico, Russia, Singapore, Switzerland, the UAE, the UK and the US.
3 The survey was conducted by the Economist Intelligence Unit, commissioned by UBS, and surveyed 450 institutional investors working in asset and wealth management firms, corporate pension funds, endowment funds, family offices, government agencies, hedge funds, insurance companies, pension funds, sovereign wealth funds and reinsurers in North America, Europe and Asia Pacific.

*Sustainable investment*

*Sustainable investment* (SI) focuses on investment decisions that seek to make a difference, while generating competitive financial returns. SI strategies aim to better risk manage portfolios in line with 21st-century challenges and / or to align investments with investors' sustainability values, while also targeting improved portfolio risk and return characteristics.

We have long recognized that clients and other stakeholders need transparency about the sustainability objectives of our various investment products. During 2021, the European Union's Sustainable Finance Disclosure Regulation (the SFDR) provided the first formal, comprehensive legislative framework establishing an important marker for the industry's efforts in this area. Consequently, we have further evolved our own definitions of SI, which now include the following two categories.

- *Sustainability focus:* strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds.
- *Impact investing:* investment strategies that have an explicit intention of generating measurable, verifiable, positive sustainability outcomes. Impact generated is attributable to investor action and / or contribution.

*ESG integration and exclusion*

We also identify two approaches that consider ESG factors in the investment process to varying degrees, but which on their own are not considered sustainable investment.

- *ESG integration*: considers ESG factors alongside traditional financial metrics to assess the risk-return profile in the investment process. This approach is rapidly becoming an industry standard, as the inclusion of such factors has been shown to benefit overall investment risk-return considerations.
- *Exclusion*: when individual companies or entire industries are excluded from portfolios because their activities do not meet certain ESG criteria and / or do not align with the values of clients and / or UBS.

*Sustainable financing*

We offer products and solutions, including access to capital markets, to clients looking to finance assets that demonstrate sustainability characteristics and / or support the transition to a low-carbon economy. Financing activities can be on-balance sheet (such as loans and mortgages) or off-balance sheet (such as access to debt and equity markets). We also provide advice on ESG factors (both financial and non-financial), such as integrated disclosure requirements.

We use regulatory and market standards where these are available; for example, in the debt capital markets business, we refer to the International Capital Market Association (ICMA) Green, Social or Sustainability-Linked Bond Principles. Where such guidelines or standards are not available, we aim to align with market best practice. This is the case, for example, with equity capital markets activities.

Our established sustainability and climate risk (SCR, previously known at UBS as environmental and social risk, or ESR) framework is used to analyze potential transactions and client relationships in order to limit any negative impact on the environment and society. Moreover, as one of the world's largest asset gathering businesses, we are in a privileged position to leverage the experience gained from our Climate Aware framework, established in 2019 by our Asset Management business, to the benefit of our financing clients.

› **Refer to the "Key achievements in 2021" chart in the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors***

In 2021, we noted continued strong momentum in our sustainable finance activities. SI assets grew to USD 251 billion, compared with USD 141 billion in 2020, and assets subject to ESG integration and to exclusions grew to USD 813 billion in 2021, compared with USD 645 billion in 2020. Jointly, SI assets and assets subject to ESG integration and to exclusions reached over 23% of client invested assets, up from 18.8% in 2020. In addition to generally supportive markets, the growth was driven by client demand, our focus on advancing sustainable solutions, and converting traditional funds to sustainable ones.

**Investment approaches**

**"Traditional" investing**
- No explicit sustainability objectives
- Manage sustainability and all risks related to investment performance
- May use ESG tools, but these do not drive the strategy

**UBS's definition of sustainable investments**

**Sustainability focus**
- Target market-rate investment returns
- Have explicit sustainable intentions or objectives that drive the strategy
- Underlying investments may contribute to positive sustainability outcomes through products, services and / or proceeds

**Impact investing**
- Target market-rate investment returns
- Have explicit intentions to generate measurable, verifiable, positive sustainability outcomes
- Impact attributable to investor action and / or contribution

**UBS total invested assets[1,2]**

| | | For the year ended | | | % change from |
|---|---|---|---|---|---|
| *USD billion, except where indicated* | GRI | 31.12.2021 | 31.12.20 | 31.12.19 | 31.12.20 |
| Sustainable investments | | | | | |
| Sustainability focus[3] | FS11 | 222.7 | 127.7 | 46.4 | 74.4 |
| Impact investing[4] | FS11 | 28.5 | 13.1 | 9.1 | 117.1 |
| Total sustainable investments[5] | | 251.2 | 140.8 | 55.5 | 78.4 |
| *SI proportion of total invested assets (%)* | | *5.5* | *3.4* | *1.5* | |
| ESG integration[6] | FS11 | 558.0 | 512.8 | 372.3 | 8.8 |
| Exclusion[7] | FS11 | 255.1 | 132.2 | 52.2 | 93.0 |
| Total ESG integration and exclusion | FS11 | 813.2 | 645.0 | 424.5 | 26.1 |
| *ESG integration and exclusion proportion of total invested assets (%)* | FS11 | *17.7* | *15.4* | *11.8* | |
| UBS total invested assets | | 4,596.2 | 4,187.2 | 3,606.6 | 9.8 |

1 We are refocusing our sustainable investment reporting on those investment strategies exhibiting an explicit sustainability intention. ESG integration and exclusion approaches, although considering ESG aspects in the investment process, are in and of themselves not considered sustainable investment strategies. 2 FS represents the performance indicators defined in the Financial Services Sector Supplement of the Global Reporting Initiative (GRI) reporting framework. 3 Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds. Examples include Global Wealth Management's Discretionary Manage SI mandate solution and Asset Management's strategies such as its Global Sustainable Equities product. 4 Strategies that have explicit intentions of generating measurable, verifiable and positive sustainability outcomes. Impact generated is attributable to investor action and / or contributions. Examples include Global Wealth Management's Oncology Impact funds and Asset Management's Global Engage for Impact Equity funds. 5 In 2021, UBS converted funds to the sustainability focus and impact investment categories, in line with corresponding changes to the funds' underlying investment policies. The main impact was on sustainability focus and impact strategies in Asset Management of USD 38 billion and sustainability focus fund conversions in Global Wealth Management. 6 Strategies that integrate ESG factors into the fundamental financial analysis to improve risk / return. 7 Strategies that avoid investments in companies that do not meet certain ESG criteria and / or do not align with the values of clients and / or UBS. The enhancement of the UBS ESG exclusion policy to include a broader set of exclusions in the third quarter of 2021 was the main driver (>50%) of the increase in exclusion assets in 2021.

### Our offering to clients

Our private clients benefit from fully diversified sustainable portfolios, as well as advisory options. In 2020, we made sustainable investments the preferred solution for private clients investing globally. In July 2021, we expanded our sustainable investing offering with a new advisory solution that enables clients to tailor their sustainable investments to their personal preferences. In 2021, our flagship SI mandates, based on our sustainable investing strategic asset allocation (SI SAA), exceeded USD 30 billion under management.

Our institutional clients benefit from the holistic integration of ESG factors into the investment decision-making process across the entire suite of investment funds and strategies. Underpinning our ESG integration activities is a robust stewardship program, including engagement and proxy voting. We have continued to build on our position as a leading provider of sustainable exchange-traded funds (ETFs), launching 17 new sustainable ETFs in 2021, including a full suite of benchmarks aligned with the Paris Agreement. We remain firmly positioned as Europe's second-largest sustainable ETF-provider, with an SI asset base of USD 40 billion as of 31 December 2021.

Our retail clients in Switzerland have access to appropriate and relevant SI products. Interest in SI solutions continued to be strong in 2021. *UBS ManageTM SI*, a Global Wealth Management product, represented almost 70% of Personal Banking's mandate sales. In addition, 47% of total custody assets in Personal Banking are composed of sustainable investments.

For our Swiss corporate and institutional clients, supplier and producer transactions in commodity trade finance are monitored according to our SCR standards. Furthermore, our sustainable finance advice extends to strategic positioning of business models, disclosure practices and benchmarking.

Our corporate clients benefit from a range of financing and advisory solutions at all stages on their sustainability journey. In 2021, Global Banking, within our Investment Bank, set up an ESG Advisory team to assist established corporate clients with the integration of ESG risks and opportunities into their decisions related to strategy, operations and financing, thereby supporting their positioning in the financial markets. They also help young ESG-driven companies with the raising of private and / or public financing.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about our sustainable investing and financing offering, including financing solutions, advisory and research and insights**

## Managing sustainability and climate risks

At UBS, SCR is defined as the risk that UBS is negatively impacted by or negatively impacts climate change, loss of biodiversity, human rights infringements, and other environmental, social and governance matters. We apply an SCR policy framework with the aim of identifying and managing potential adverse impacts on the environment and / or to human rights, as well as the associated environmental and social risks to which our clients' and our own assets are exposed.

› **Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report for more information**

## Our sustainability targets and progress

We work with a long-term focus on providing appropriate returns to all of our stakeholders in a responsible manner. To underline our commitment, we provide transparent targets and report on progress made against them wherever possible. In 2021, we included new targets, in particular pertaining to our commitment to becoming a net-zero bank. Our targets, as set out below, can therefore only partly be compared with what we set out in previous years.

### Our key targets

Planet, people, partnerships
- USD 400 billion invested assets in sustainable investments by 2025.

*Planet*
- Set decarbonization targets for 2030 for financing of the fossil fuel, power generation and real estate sectors (from 2020 levels):
  - reduce absolute financed emissions associated with UBS loans to fossil fuel companies by 71%;
  - reduce emissions intensity associated with UBS loans to power generation companies by 49%;
  - reduce emissions intensity of UBS's commercial real estate lending portfolio by 44%; and
  - reduce emissions intensity of UBS's residential real estate lending portfolio by 42%.
- Align USD 235 billion of invested assets to net zero by 2030 (Asset Management).
- Achieve net-zero emissions across discretionary client portfolios by 2050.
- Achieve net-zero emissions resulting from our own operations (scopes 1 and 2) by 2025; cut energy consumption by 15% by 2025 (compared with 2020).
- Offset historical emissions back to the year 2000 by sourcing carbon offsets (achieved by the end of 2021) and by offsetting credit delivery and full retirement in registry (by the end of 2025).
- Engage with our key vendors on targeting net zero by 2035.

*People*
- 30% global female representation at Director level and above by 2025.
- 26% US ethnic minority representation at Director level and above by 2025.
- 26% UK ethnic minority representation at Director level and above by 2025.
- Raise USD 1 billion in donations to our client philanthropy foundations and funds and reach 25 million beneficiaries by 2025 (cumulative for 2021–2025).
- Support one million beneficiaries through our community impact activities by 2025 (cumulative for 2020–2024).

*Partnerships*
- Establish UBS as a leading facilitator of discussion, debate and idea generation.
- Drive standards, research and development, and product development through partnerships across the financial ecosystem.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information about UBS's sustainability achievements in 2021 and our progress on key targets**

## Taking climate action[1]

### Our climate governance

As part of its annual approval of our sustainability and impact objectives, the CCRC also oversees UBS's climate strategy, as set by the GEB. During its six meetings throughout the course of the year, the CCRC reviews the GEB's activities in executing our climate strategy and, jointly with the BoD's Risk Committee, evaluates the progress of our climate risk program. The committee also reviews the alignment of our climate disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD).

We manage these annual plans and goals through our ISO 14001-certified environmental management system (the EMS), with management accountabilities across our firm. The EMS helps us reduce environmental risks, seize market opportunities, and continually improve our environmental, climate and resource-efficiency performance.

In May 2021, we established a net-zero task force to help progress toward our ambition of reaching net zero by 2050. The GEB lead for sustainability and impact chairs the task force. Senior representatives from across our firm, including from the business, risk and finance, attend the task force's monthly meetings.

› **Refer to the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for UBS's full climate disclosures**

[1] This sub-section provides key information from the UBS Climate Report 2021, which contains our full climate disclosures and follows the recommendations provided by the TCFD. The Climate Report is available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, integrated in the UBS Sustainability Report 2021 or as a standalone document.

## Our climate strategy

In April 2021, we committed to achieving net-zero greenhouse gas emissions resulting from all aspects of our business by 2050 (scope 1, 2 and 3 emissions). We are publishing our journey toward this ambition in our climate roadmap.

Our climate strategy covers two main areas: managing climate-related financial risks and acting for a low-carbon future. Underpinning these two areas are four strategic pillars.

Governance

Strategy

Managing climate-related financial risks | Acting on a low-carbon future

**Protecting our clients' assets**
- managing climate-related risks and opportunities through our innovative products and services in investment, financing and research

**Protecting our own assets**
- limiting our risk appetite for carbon-related assets
- estimating our firm's vulnerability to climate risks

**Reducing our climate impact**
- sourcing 100% of our electricity consumption from renewable sources
- responsible supply chain management

**Mobilizing capital**
- from private and institutional clients
- toward the orderly transition to a low-carbon economy

Risks and opportunities

Metrics and targets

*1. Protecting our clients' assets*

As a global financial institution, it is our responsibility to help clients navigate through the challenges of the transition to a low-carbon economy. We help our clients assess, manage and protect their assets from climate-related risks by offering innovative products and services in investment, financing and research. We work collaboratively across our industry and with our clients, ensuring they have access to best practice, robust science-based approaches, standardized methodologies, and quality data for measuring and mitigating climate risks. Our activities include engaging on climate topics with the companies we invest in. For example, our Asset Management business division has implemented an engagement program with 46 companies from the oil and gas, electric and other utilities, metals and mining, construction materials, chemicals, and automotive sectors. During 2021, we also supported 70 climate-related resolutions.

*2. Protecting our own assets*

We seek to protect our assets by limiting our risk appetite for carbon-related assets. We use scenario-based stress-testing approaches and other forward-looking portfolio analyses to estimate our vulnerability to climate-related risks. As of 31 December 2021, we had reduced our lending exposure to carbon-related assets to 9.9% (USD 45.6 billion) of our total customer lending exposure. This was down from 10.4% at the end of 2020 and 10.7% at the end of 2019.

*3. Reducing our climate impact*

We are committed to achieving net-zero emissions in our own operations (scopes 1 and 2) by 2025 by replacing fossil fuel heating systems, maintaining our 100%-renewable electricity coverage and investing in credible carbon removal projects (including negative emissions technology). We will also compensate for our historical scope 1 and 2 emissions back to the year 2000 by using credible and clear carbon offsets and investments in nature-based solutions. Furthermore, we are currently working to understand and quantify the scope 3 emissions in our supply chain. We are engaging with our key vendors on targeting net zero by 2035.

*4. Mobilizing capital*

We mobilize private and institutional capital through investments that help the world mitigate and adapt to climate change. We were the first major global financial institution to have made sustainable investments the preferred solution for our private clients wishing to invest globally. We also support our goal of mobilizing capital as a lender and corporate advisor. For corporate clients, we support the issuance of green, social, sustainability and sustainability-linked bonds – and the raising of capital in international capital markets – in line with recognized market guidelines, such as the ICMA Green Bond Principles. We also extend green and sustainable loans in line with the Loan Market Association. In 2021, we began offering borrowers *Green Mortgages* via the *key4* platform, the first Swiss real estate platform for investment properties that promotes sustainable mortgages.

› **Refer to the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for a full description of UBS's climate strategy**

## Our management of climate risks

Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). The physical and transition risks from a changing climate contribute to a structural change across economies and, consequently, can affect banks and the financial sector through financial and non-financial impacts.

In March 2020, Group Risk Control established our firm's climate risk program to further integrate climate risk in the firm's risk management framework and standard processes. The program follows a multi-year roadmap to address regulatory expectations and is engaging with stakeholders and experts both internally and externally to further develop climate risk methodologies, to deliver on ongoing climate stress testing exercises and to build capacity to respond to climate risk management expectations.

We currently identify and manage climate risks in our own operations, our balance sheet, client assets and the supply chain. To protect our clients' and our own assets from climate-related risks, in 2021, we continued to drive the integration of climate-related risk into our standard risk management framework.

We further integrated climate risk in: (i) risk identification and measurement; (ii) monitoring and risk appetite setting; (iii) management and control; and (iv) reporting processes across the organization.

› **Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report**

› **Refer to the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for a full description of UBS's management of climate risks**

## Our climate-related metrics and targets

For many years, we have been developing methodologies that enable us to disclose climate-related metrics more robustly and transparently. Most recently, regulators and standard setters have provided more guidance on metrics. We firmly aim to keep pace with these new developments and requirements and further evolve our climate-related metrics. This commitment remains, as does our determination to continue leading the way in efforts to mitigate climate change.

UBS supports the goals of the Paris Agreement, which includes aligning our own operations and business activities with a pathway of a five-step net-zero plan to: (i) measure carbon emissions; (ii) define a roadmap and set targets; (iii) reduce climate impact; (iv) finance climate action and support the transition of our clients; and (v) communicate and engage.

› **Refer to the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for a full description of UBS's net-zero targets, including baselines and pathways**

## Climate-related metrics 2021

| | For the year ended | | | % change from |
|---|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.20 |
| **Risk management** | | | | |
| Carbon-related assets (USD billion)[1,2] | 45.6 | 45.4 | 40.1 | 0.4 |
| *of which: UBS AG (standalone)*[3] | *7.0* | *7.6* | *7.5* | *(8.7)* |
| *of which: UBS Switzerland AG (standalone)*[3] | *37.9* | *37.1* | *31.9* | *2.4* |
| *Proportion of total customer lending exposure, gross (%)* | *9.9* | *10.4* | *10.7* | |
| Total exposure to climate-sensitive sectors, transition risk (USD billion)[2,4] | 37.5 | 37.5 | 33.4 | 0.0 |
| *of which: UBS AG (standalone)*[3] | *4.6* | *5.4* | *5.8* | *(15.9)* |
| *of which: UBS Switzerland AG (standalone)*[3] | *32.8* | *31.7* | *27.3* | *3.4* |
| *Proportion of total customer lending exposure, gross (%)* | *8.2* | *8.6* | *9.0* | |
| Total exposure to climate-sensitive sectors, physical risk (USD billion)[2,4] | 25.5 | 26.2 | 25.6 | (2.8) |
| *of which: UBS AG (standalone)*[3] | *10.8* | *11.5* | *13.1* | *(6.1)* |
| *of which: UBS Switzerland AG (standalone)*[3] | *13.6* | *13.5* | *11.7* | *1.4* |
| *Proportion of total customer lending exposure, gross (%)* | *5.6* | *6.0* | *6.9* | |
| Identified significant climate-related financial risk on balance sheet[5] | None | None | None | |
| **Opportunities** | | | | |
| Number of green, sustainability, and sustainability-linked bond deals[6] | 98 | 29 | 26 | 237.9 |
| Total deal value of green, sustainability, and sustainability-linked bond deals (USD billion)[6] | 63.3 | 19.3 | 15.6 | |
| *UBS apportioned deal value of above (USD billion)* | *13.2* | *5.7* | *3.4* | |
| **Stewardship – voting** | | | | |
| Number of climate-related resolutions voted upon[7] | 89 | 50 | 44 | 78.0 |
| *Proportion of supported climate-related resolutions (%)* | *78.6* | *88.0* | *81.8* | |
| **Own operations** (reporting period: July to June) | | | | |
| Net GHG footprint (1,000 metric tons $CO_2e$)[8] | 30 | 75 | 104 | (60.0) |
| *Change from baseline 2004 (%)* | *(92.0)* | *(79.0)* | *(71.2)* | |
| Share of renewable electricity (%) | 100 | 85 | 72 | |

1 The carbon-related assets metric has been updated to cover the four non-financial groups as defined by the TCFD, i.e., energy, transportation, materials and buildings, and agriculture, food and forest products. 2 Includes total loans and advances to customers and guarantees as well as irrevocable loan commitments (within the scope of expected credit loss). 3 Based on standalone IFRS numbers. 4 Climate-sensitive sectors are defined as those business activities that are rated as having high, moderately high or moderate vulnerability to transition risks and physical risks. For more details, refer to the "UBS lending to climate-sensitive sectors" table under "Sustainability and climate risk" in the "Risk management and control" section of this report and "Climate scenario analysis" in the "What" section of the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*. Physical risk number includes USD 4 billion of loans backed by real estate in regions with elevated physical climate risks. Global Wealth Management corporate lending to customers represents 1.1% of all on- and off-balance sheet loans and advances to customers, and is excluded from the climate-sensitive sectors analysis in 2021. 5 Methodologies for assessing climate-related financial risk are emerging and may change over time, as described in the UBS Climate Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*. 6 Such as, but not limited to, ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-linked Bond Principles. 7 This excludes proposals related to Japanese companies that included changes to the companies' articles of association. 2021 numbers include shareholder and management proposals, 2020 and 2019 numbers shareholder proposals only. This reflects the increasingly common market practice of climate-related proposals being presented by management. 8 Net greenhouse gas (GHG) footprint equals gross GHG emissions minus GHG reductions from renewable electricity and $CO_2e$ offsets (gross GHG emissions include: direct GHG emissions by UBS; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam; and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). A breakdown of our GHG emissions (scopes 1, 2 and 3) is provided in appendix 4 to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*.

## Reporting to our stakeholders on our sustainability strategy and activities

Information about all our sustainability efforts and commitments is provided in our Sustainability Report 2021, available under "Annual reporting" at *ubs.com/investors*. The content of the Sustainability Report 2021 has been prepared in accordance with Global Reporting Initiative (GRI) Standards (the "comprehensive" option) and with the German rules implementing the EU Directive on disclosure of non-financial and diversity information (2014/95/EU). Our reporting on sustainability has been reviewed on a limited assurance basis by Ernst & Young Ltd against the GRI Standards.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for an overview of non-financial disclosures in accordance with the German rules implementing EU Directive 2014/95 and for information on UBS AG and UBS Europe SE disclosures pursuant to EU Taxonomy Art. 8**

# Regulation and supervision

As a financial services provider based in Switzerland, UBS is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). Our entities are also regulated and supervised by authorities in each country where they conduct business. Through UBS AG and UBS Switzerland AG, both licensed as banks in Switzerland, UBS may engage in a full range of financial services activities in Switzerland and abroad, including personal banking, commercial banking, investment banking and asset management.

As a global systemically important bank (a G-SIB), as designated by the Financial Stability Board, and a systemically relevant bank (an SRB) in Switzerland, we are subject to stricter regulatory requirements and supervision than most other Swiss banks.

› **Refer to the "Our evolution" section of this report for more information**
› **Refer to the "Regulatory and legal developments" and "Risk factors" sections of this report for more information**

## Regulation and supervision in Switzerland

### Supervision

UBS Group AG and its subsidiaries are subject to consolidated supervision by FINMA under the Swiss Banking Act and related ordinances, which impose standards for matters such as minimum capital, liquidity, risk concentration and internal organization standards. FINMA meets its statutory supervisory responsibilities through licensing, regulation, supervision, and enforcement. It is responsible for prudential supervision and mandates audit firms to perform regulatory audits and other supervisory tasks on its behalf.

### Capital adequacy and liquidity regulation

As an internationally active Swiss SRB, we are subject to capital and total loss-absorbing capacity requirements that are based on both RWA and LRD and are among the most stringent in the world. We are also subject to short-term liquidity coverage ratio rules and to long-term minimum funding requirements.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the Swiss SRB framework and the Swiss too-big-to-fail requirements**
› **Refer to "Liquidity coverage ratio" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about liquidity coverage ratio requirements**
› **Refer to the "Regulatory and legal developments" section of this report for more information about the introduction of the net stable funding ratio**
› **Refer to "Industry trends" in the "Our environment" section of this report for more information about revisions of the Swiss too-big-to-fail liquidity framework**

## Regulation and supervision outside Switzerland

### Regulation and supervision in the US

In the US, UBS is subject to regulation and supervision by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) under a number of laws. UBS Group AG and UBS AG are both subject to the Bank Holding Company Act, pursuant to which the Federal Reserve Board has supervisory authority over the US operations of both UBS Group AG and UBS AG.

In addition to being a financial holding company under the Bank Holding Company Act, UBS AG has US branches, which are authorized and supervised by the Office of the Comptroller of the Currency. UBS AG is registered as a swap dealer with the Commodity Futures Trading Commission (the CFTC) and as a securities-based swap dealer with the Securities and Exchange Commission (the SEC).

UBS Americas Holding LLC, the intermediate holding company for our operations in the US outside of the UBS AG branch network, as required under the Dodd–Frank Act, is subject to requirements established by the Federal Reserve Board related to risk-based capital, liquidity, the Comprehensive Capital Analysis and Review stress testing and capital planning process, and resolution planning and governance.

UBS Bank USA, a Federal Deposit Insurance Corporation-insured depository institution subsidiary, is licensed and regulated by state regulators in Utah.

UBS Financial Services Inc., UBS Securities LLC and several other US subsidiaries of UBS are subject to regulation by a number of different government agencies and self-regulatory organizations, including the SEC, the Financial Industry Regulatory Authority, the CFTC, the Municipal Securities Rulemaking Board and national securities exchanges, depending on the nature of their business.

### Regulation and supervision in the UK

Our regulated UK operations are mainly subject to the authority of the Prudential Regulation Authority (the PRA), which is part of the Bank of England, and the Financial Conduct Authority (the FCA). We are also subject to the rules of the London Stock Exchange and other securities and commodities exchanges of which UBS AG is a member.

UBS AG has a UK-registered branch in London, which serves as a global booking center for our Investment Bank. Our regulated subsidiaries in the UK that provide asset management services are authorized and regulated mainly by the FCA, with one entity also subject to the authority of the PRA.

### Regulation and supervision in Germany / the EU

UBS Europe SE is subject to the direct supervision of the European Central Bank, as well as to continued conduct, consumer protection and anti-money laundering-related supervision by the German Federal Financial Supervisory Authority (the BaFin) and supervisory support by the German Bundesbank. The entity is subject to EU and German laws and regulations. UBS Europe SE maintains branches in Denmark, France, Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden and Switzerland, and is subject to conduct supervision by authorities in all those countries.

### Regulation and supervision in Asia Pacific

We operate in 13 locations in Asia Pacific and are subject to the regulation and supervision by local financial regulators. Our regional hubs are Singapore and Hong Kong SAR.

In Singapore, we conduct our operations primarily through UBS AG Singapore Branch and UBS Securities Pte. Ltd., which are supervised by the Monetary Authority of Singapore and the Singapore Exchange.

UBS AG Hong Kong Branch is primarily supervised by the Hong Kong Monetary Authority. UBS Securities Hong Kong Limited, UBS Securities Asia Limited and UBS Asset Management (Hong Kong) Limited are primarily supervised by the Hong Kong Securities and Futures Commission. In addition, UBS Securities Hong Kong Limited is supervised by the Hong Kong Stock Exchange and the Hong Kong Futures Exchange.

In Mainland China, UBS has multiple licenses to operate its core business lines, and the various UBS entities are subject to regulation by a number of different government agencies. The People's Bank of China oversees the macro capital markets policies and ensures coordinated supervisory approaches by the China Banking and Insurance Commission, the China Securities and Regulatory Commission, and the exchanges.

## Financial crime prevention

Combating money laundering and terrorist financing has been a major focus of many governments in recent years. Laws and regulations, including the US Bank Secrecy Act, require effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and the verification of client identities. Failure to introduce and maintain adequate programs to prevent money laundering and terrorist financing can result in significant legal and reputation risk and fines.

We are also subject to laws and regulations prohibiting corrupt or illegal payments to government officials and other persons, including the US Foreign Corrupt Practices Act and the UK Bribery Act. We maintain policies, procedures and internal controls intended to comply with those regulations.

› **Refer to "Non-financial risk" in the "Risk management and control" section of this report for more information**

## Data protection

We are subject to regulations concerning the use and protection of customer, employee, and other personal and confidential information. This includes provisions under Swiss law, the EU General Data Protection Regulation (the GDPR) and laws of other jurisdictions.

› **Refer to the "Risk factors" section of this report for more information about regulatory change**

## Recovery and resolution

Swiss too-big-to-fail (TBTF) legislation requires each Swiss SRB to establish an emergency plan to maintain systemic functions in case of impending insolvency. In response to these Swiss requirements, and similar ones in other jurisdictions, UBS has developed recovery plans and resolution strategies, as well as plans for restructuring or winding down businesses if the firm could not be stabilized otherwise.

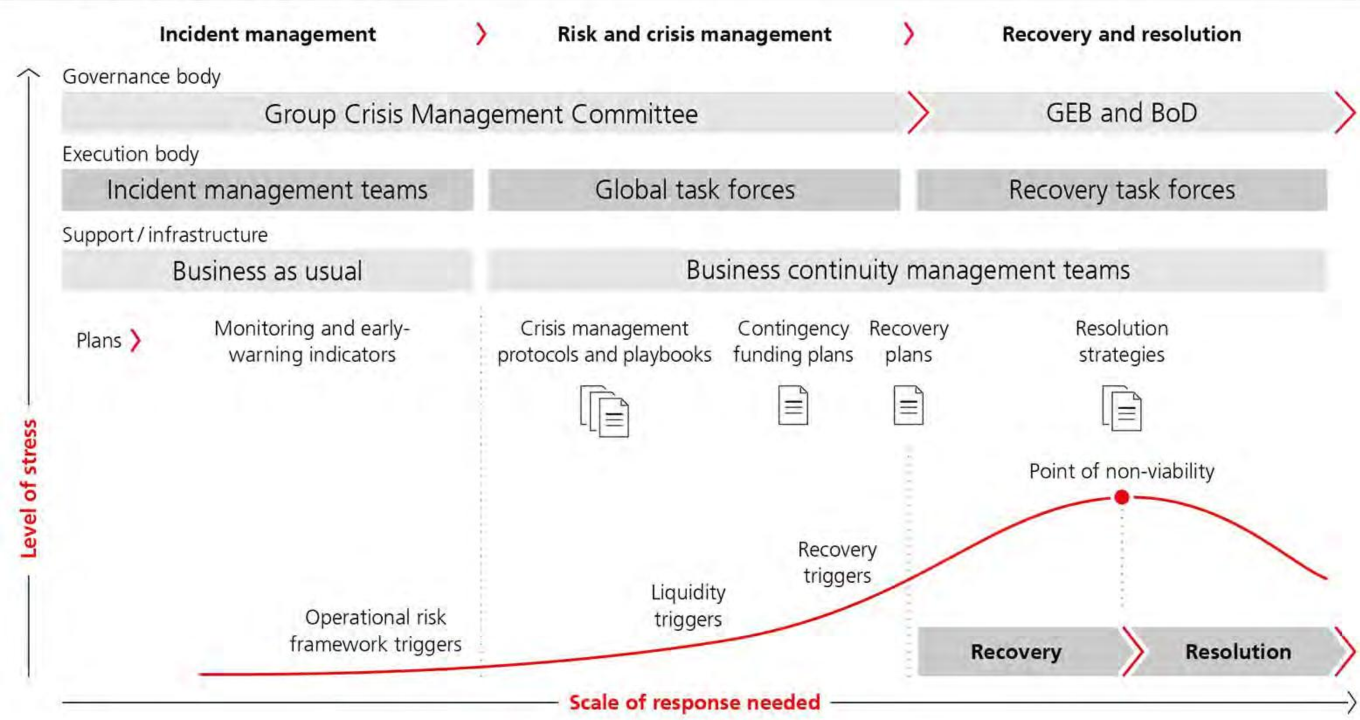
In 2013, FINMA stated its preference for a single point of entry (SPE) strategy for globally active SRBs, such as UBS, with a bail-in at the group holding-company level. UBS has made structural, financial and operational changes to facilitate an SPE strategy and is confident that a resolution of the bank is operationally executable and legally enforceable. FINMA published its most recent assessment of Swiss SRBs' emergency and recovery and resolution plans in March 2021, which confirmed that our Swiss emergency plan is effective, subject to further reduction of joint and several liabilities. Since the previous assessment, UBS has reduced its joint and several liabilities to the requested level. FINMA acknowledged progress made in UBS's overall resolvability, by building up the necessary capabilities or removing obstacles to the implementation of the resolution strategy.

### UBS's crisis management framework

Our crisis management framework includes three key governance bodies (see chart on the following page), which take responsibility and action depending on the nature of the stress incident and the scale of the response needed.

- For incident, risk and crisis management, the Group Crisis Management Committee works with incident management teams that provide monitoring and early-warning indicators at local / regional level, without needing to activate protocols at the Group level. If a local response is insufficient, global task forces and crisis management teams provide decision-making guidance and coordination, including crisis management plans, protocols and playbooks, and contingency funding plans.
- The Group Executive Board and the Board of Directors would evaluate and decide upon the need to activate the Global Recovery Plan (the GRP) if a stress event reached a severity requiring that, based on the GRP's risk indicators.
- FINMA has the authority to determine whether the point of non-viability (PONV) as defined by Swiss law (referred to as "impending insolvency" in the Banking Act) has been reached and, in such cases, as part of the resolution strategy, has the power to order the bail-in of creditors to recapitalize and stabilize the Group, limit payments of dividends and interest, alter our legal structure, take actions to reduce business risk, and order a restructuring of the bank.

**UBS crisis management framework**




*Global Recovery Plan*

The GRP gives senior management a tool to restore financial strength if UBS comes under severe capital and liquidity stress.

Quantitative and qualitative triggers are monitored daily and subject to predefined governance and escalation processes. Recovery options are linked to owners and checklists with the objectives being capital preservation, capital raising and raising funding, and disposal or wind-down of businesses.

*Global Resolution Strategy*

FINMA is responsible for developing the resolution strategy for UBS. The planning includes measures that FINMA can take to resolve UBS in an orderly manner if the Group enters into resolution. FINMA has the ultimate authority and responsibility to execute the resolution, in cooperation with the Swiss National Bank, the Swiss Federal Department of Finance and other key authorities. The SPE bail-in strategy would involve writing down the Group's remaining equity and additional tier 1 and tier 2 instruments, as well as bail-in of total loss-absorbing (TLAC)-eligible senior unsecured bonds at the UBS Group AG level. An internal recapitalization of undercapitalized subsidiaries would be made simultaneously with losses transmitted to UBS AG and, ultimately, UBS Group AG. Post-resolution restructuring measures could include disposal and winding down of businesses and assets. FINMA noted that we have already taken key preparatory steps and made good progress regarding global resolvability.

*Local recovery and resolution plans*

The Swiss emergency plan demonstrates how UBS's systemically important functions and critical operations in Switzerland can continue if the UBS Group cannot be restructured. This is achieved mainly by maintaining UBS Switzerland AG as a separate legal entity. FINMA has confirmed that the Swiss emergency plan is effective, subject to further reduction of joint and several liabilities.

The US resolution plan sets out the steps that could be taken to resolve the UBS Americas Holding LLC group if it suffered material financial distress and the UBS Group was unable or unwilling to provide financial support. As required by US regulations, our US plan contemplates that UBS Americas Holding LLC will commence US bankruptcy proceedings. Prior to commencement thereof, the plan envisages UBS Americas Holding LLC down-streaming financial resources to subsidiaries to facilitate orderly wind-down or disposal of businesses.

Following the cross-border merger of UBS Limited into UBS Europe SE, the enlarged European operating subsidiary has developed resolution plans based on Single Resolution Board requirements. Given the relatively small size of UBS Europe SE compared with the overall Group, emphasis is placed on the recovery plan and the resolution strategy for the UBS Group to provide the tools necessary to recapitalize and restructure the entity in case of material financial distress.

Other local recovery and resolution plans exist for various Group entities and jurisdictions.

# Regulatory and legal developments

## Developments regarding Sanctions and Export Controls

As a result of the Russian invasion of Ukraine on 24 February 2022, Switzerland, the US, the EU, the UK and others have announced unprecedented levels of sanctions and other measures against Russia and certain Russian entities and nationals. UBS's policy is to comply with all applicable laws, including sanctions and export controls, in the jurisdictions in which it operates. At present, numerous complex regimes are developing rapidly in response to the escalating conflict and UBS is working carefully and assiduously to comply with all relevant requirements and to address their potential consequences.

## Developments regarding the too-big-to-fail regulation

In March 2021, the Swiss Financial Market Supervisory Authority (FINMA) published its annual assessment of the recovery and resolution plans of systemically important financial institutions in Switzerland. The report shows that FINMA approved UBS's group recovery plan and assessed its Swiss Emergency Plan as effective. It also highlighted that UBS made further progress in improving its global resolvability by building up the necessary capabilities and removing obstacles to the implementation of the resolution strategy, while pointing out areas for further improvement.

In June 2021, the Swiss Federal Council issued the results of its bi-annual review of the Swiss too-big-to-fail regulatory framework. The Swiss Federal Council concluded that no fundamental changes to the framework are needed. Potential areas for adjustment identified include further tightening of the liquidity requirements for systemically important banks and the alignment of incentive systems to support a bank's resolvability.

In September 2021, the Swiss Federal Department of Finance launched a consultation on proposed revisions to the Swiss Liquidity Ordinance, with the aim of strengthening the resilience of systemically important banks in Switzerland. As proposed, the revisions would increase the regulatory minimum liquidity requirements for systemically important banks, including UBS. The final rule is expected to be published later this year.

## Reactivation of the Swiss countercyclical buffer

In January 2022, the Swiss Federal Council decided, at the request of the SNB, to reactivate the countercyclical capital buffer, at a maximum level of 2.5% on risk-weighted positions that are directly or indirectly backed by residential properties in Switzerland. This is expected to increase our common equity tier 1 (CET1) minimum capital requirement by approximately 30 basis points. The reactivated countercyclical capital buffer will become effective on 30 September 2022.

## International developments regarding capital regulation

In March 2021, US banking regulators, including the Federal Reserve Board (the FRB), the OCC and the Federal Deposit Insurance Corporation (the FDIC) decided not to extend the temporary exclusion of central bank deposits and US Treasury securities from the leverage exposure calculation for the supplementary leverage ratio beyond March 2021. The temporary exemption was applicable to UBS Americas Holding LLC (UBSAH) with respect to US regulatory capital requirements. In addition, the Federal Reserve announced that the limits on capital distributions imposed during the COVID-19 pandemic would be removed after 30 June 2021. As a result, capital distributions by UBSAH will generally be permitted for as long as it meets regulatory capital requirements, including the incremental stress capital buffer set by the FRB as part of its Comprehensive Capital Analysis and Review stress test (CCAR). Following the completion of the annual Dodd–Frank Act Stress Tests (DFAST) and CCAR, UBSAH was assigned a stress capital buffer (an SCB) of 7.1% (previously 6.7%) under the SCB rule as of 1 October 2021.

In July 2021, the European Central Bank announced its decision to remove COVID-19-related restrictions on capital distributions and share buybacks by banks with effect from 1 October 2021.

In October 2021, the European Commission (the EC) published a legislative proposal to amend the EU's prudential rules for banks to implement the remaining elements of Basel III and revised rules on resolution. Once finalized, the EC envisages that these requirements are likely to take effect beginning in 2025 and UBS Europe SE will be subject to these final provisions.

In addition, the proposal, which may be adjusted in the political process and is expected to be finalized by the end of 2023, includes a requirement that certain banking and investment services must be provided through a branch in the EU. UBS Group entities currently provide such services in the EU on a cross-border basis. UBS will assess the final requirements to determine whether changes are required ahead of the new framework entering into force.

## Swiss stamp duty and withholding tax

In June 2021, the Swiss Parliament approved an extension of the current withholding tax exemption for total loss-absorbing capacity instruments, including additional tier 1, from 2021 until the end of 2026.

In December 2021, the Swiss Parliament also adopted a legislation that will abolish the withholding tax on bond interest payments (for bonds issued from the beginning of 2023 onward) and will eliminate the securities transfer stamp tax on domestic bonds. However, the withholding tax on interest paid on bank deposits of natural persons with tax domicile in Switzerland is maintained. The reform intends to strengthen the debt capital market in Switzerland, and is expected to take effect in 2023, subject to an optional referendum.

## OECD corporate tax reform

In October 2021, the G20 endorsed the final political agreement on the two-pillar solution reached by the OECD / G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The two-pillar solution consists of Pillar 1, which provides taxing rights to the market jurisdiction from where the profits are derived, and Pillar 2, which introduces a minimum corporate tax rate of 15%. The G20 called for all the rules to enter into force at a global level by 2024, with some to be implemented in 2023. At the time of publication in October 2021, 137 of the 141 members of the Framework had agreed to the reform and planned to incorporate the new rules into their respective national legislation, including Switzerland. As financial services are expected to be out of scope of Pillar 1, UBS will primarily be affected by Pillar 2. The impact of the reform on UBS will depend on implementation by the adhering countries of the reform.

In January 2022, the Swiss Federal Council presented the key aspects of the implementation in Switzerland. The relevant changes will require a constitutional amendment, which triggers a mandatory referendum. The government aims to implement the minimum tax rate as of 1 January 2024.

## Revision of the Swiss Anti-Money-Laundering Act

In March 2021, the Swiss Parliament granted final approval for the revision of the Swiss Anti-Money-Laundering (AML) Act, which incorporates several but not all, of the recommendations from the enhanced follow-up process of the Financial Action Task Force on Money Laundering (the FATF). The revision will introduce into Swiss law further specifications of the obligation to file suspicious activity reports and increase the frequency of client data reviews. It will also improve transparency by incorporating additional legal requirements for associations with elevated risks of terrorist financing. However, the FATF's recommendation to extend the scope of the Swiss AML Act to advisors (e.g., attorneys, fiduciaries, and tax advisors) was not adopted by the Swiss Parliament.

On 1 October 2021, the Federal Council issued a draft revision of the Anti-Money-Laundering Ordinance (AMLO) to detail the implementation of the changes. The consultation on the AMLO ended on 17 January 2022, and the revisions are expected to enter into force by mid-2022. UBS is in the process of adjusting its AML processes to reflect the new requirements.

## Developments regarding environmental, social and governance matters

2021 saw a significant number of sustainability-related policy developments, with a particular focus on disclosure requirements, across various jurisdictions.

In March 2021, the EU Sustainable Finance Disclosures Regulation (the SFDR) came into effect. The regulation defines standards regarding, among other matters, how investors should be informed about sustainability risks and how the impact of investments on the environment and society should be disclosed. This regulation concerns any prospectus of UBS's EU-domiciled and EU-marketed funds.

In April 2021, the EC published a legislative proposal for a revised Non-Financial Reporting Directive (NFRD) requiring firms to publish enhanced information about their activities with regard to environmental, social and governance (ESG)-related matters.

In July 2021, the EC adopted regulations prescribing the content, methodology and presentation of climate-related disclosures that are required under Art. 8 of the EU Taxonomy Regulation. As part of their non-financial reporting, credit institutions will be required to disclose a green asset ratio covering the banking book and certain trading portfolios, as well as other key performance indicators (KPIs), including the proportion of green taxonomy-aligned off-balance sheet exposures and fees and commission income. Starting with the annual reporting for 2021, taxonomy-eligible assets are required to be disclosed; the remaining set of KPIs is to be fully phased in for our annual reporting for 2025. These disclosure requirements will apply to UBS AG and UBS Europe SE.

In August 2021, the Swiss Federal Council decided to introduce mandatory reporting requirements for large Swiss companies based on the recommendations of the Financial Stability Board (the FSB) Task Force on Climate-related Financial Disclosures (the TCFD). A consultation on the draft proposal is planned in mid-2022, with mandatory requirements expected to apply to the 2023 annual reporting. Our disclosures are already largely aligned with the 2017 TCFD recommendations and we expect to fully implement those by the end of 2022.

In November 2021, the Swiss Federal Council published several recommendations to increase transparency regarding climate-related information and reporting in the Swiss financial center, including that: i) financial market participants use comparable and meaningful climate compatibility indicators to create transparency for all financial products and client portfolios; and ii) the financial sector joins international net-zero alliances. UBS has joined the Glasgow Financial Alliance for Net Zero (GFANZ) and is participating in an industry-wide working group led by the Swiss Federal Department of Finance (the FDF) to develop climate compatibility indicators. The Swiss Federal Council has also instructed the FDF to work with the Department of the Environment, Transport, Energy and Communications (DETEC) and FINMA to jointly assess, by the end of 2022, whether any changes to financial market rules may help avoid greenwashing, and, if necessary, to propose binding guidelines.

In November 2021, FINMA issued guidance on preventing and combating greenwashing in the context of sustainability-related collective investment schemes. The guidance sets out FINMA's expectations regarding: the advertised sustainability characteristics in fund documents of respective Swiss collective investment schemes; appropriate organizational structures of institutions that manage sustainability-related Swiss or foreign collective investment schemes; and the integration of ESG considerations into the process of advising clients.

In November 2021, the Swiss Environmental Commission of the Council of States agreed to start work on an indirect counterproposal to the "Glacier Initiative." Both the original initiative and the counterproposal aim to embed in national law a net-zero target to be achieved by 2050. The Environmental Commission of the National Council will formulate a draft in early 2022, but the public vote will not take place before 2023.

In November 2021, the Basel Committee on Banking Supervision (the BCBS) issued a consultation on Principles for the effective management and supervision of climate-related financial risks. The consultation paper proposes 18 principles to improve climate-related financial risk management by banks and supervisors. The proposal states that banks should incorporate climate risks into their capital and liquidity adequacy assessments.

In November 2021, the International Financial Reporting Standards (IFRS) Foundation Trustees announced the creation of a new standard-setting board, the International Sustainability Standards Board (ISSB), which will be tasked with developing a comprehensive global baseline for sustainability-related disclosure standards that will provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities in order to help them make informed decisions.

In December 2021, the Swiss Federal Council opened the consultation on the revised $CO_2$ Act following its rejection in a public vote earlier in 2021. The new proposal contains measures to reduce carbon emissions for the period from 2025 to 2030 and mandates FINMA and the Swiss National Bank to report on climate-related financial risks.

In December 2021, the Federal Council specified new due diligence requirements to implement the counterproposal to the Responsible Business Initiative. The changes to the Code of Obligations require large Swiss companies to report on risks of their business activities in the areas of the environment, social issues, employee concerns, human rights, and the fight against corruption, as well as on the measures taken to mitigate these risks. Companies active in sensitive areas with a risk of child labor and conflict minerals must comply with additional due diligence and reporting obligations. The details of these requirements are outlined in a separate ordinance. The new provisions entered into force on 1 January 2022. The law grants companies one year to adapt to the new obligations. These will therefore be applied for the first time in the 2023 financial year.

In December 2021, the US Office of the Comptroller of the Currency (the OCC) issued a consultation on supervisory guidance regarding firms' climate risk management practices. While the proposal broadly aligns with that issued by the BCBS in November, it also represents the first step of US banking regulators regarding expectations of supervised firms in their capacity to measure and control exposures to potential climate change issues.

Starting with our 2021 annual reporting, we comply with the revised FINMA Circular 2016/1 "Disclosure – banks," which includes climate risk-related disclosure requirements. We provide information required by Art. 8 of the EU Taxonomy Regulation, starting with the disclosure of taxonomy-eligible assets of UBS AG and UBS Europe SE on a standalone basis for year-end 2021.

## Developments regarding digitalization and innovation in finance

Regulatory discussions on various aspects of digital innovation in finance and, in particular, virtual assets have increased and continued to evolve. However, national regulatory approaches on the subject still differ widely.

In June 2021, the BCBS consulted on an approach to the prudential treatment of virtual assets as part of a multi-year process to develop internationally aligned prudential rules.

In October 2021, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (IOSCO) consulted on guidance proposing that the Principles for Financial Market Infrastructures should also apply to systemically important stablecoin arrangements.

In October 2021, the FATF updated its 2019 Guidance for a risk-based approach to virtual assets and virtual asset service providers (VASPs), who are subject to the same relevant FATF measures that apply to financial institutions. The guidance aims to help countries and VASPs understand their obligations regarding anti-money laundering and terrorist financing and effectively implement the FATF's requirements.

In November 2021, EU legislators made further progress toward agreement on the Markets in Crypto-Assets Regulation, which aims to establish a comprehensive EU-wide regulatory framework for the issuance of, and provision of services related to, various types of virtual assets. The legislation is expected to be finalized by mid-2022.

In November 2021, the US President's Working Group on Financial Markets released a paper on stablecoins recommending that US Congress enact legislation to restrict issuers of stablecoins to supervised, deposit-taking banks. In the absence of legislation, the US Financial Stability Oversight Council could designate the activity as systemically important and place them under the authority of the Federal Reserve.

In 2021, several central banks continued their efforts to actively explore central bank digital currencies (CBDC), including with each other, with the BIS Innovation Hub network and with commercial banks. For example, UBS participated in SNB- and Swiss Infrastructure and Exchange (SIX)-led CBDC projects named Helvetia and Jura. The introduction of CBDC could potentially have a significant impact on the financial sector, though the implications are not yet fully understood. In January 2022, the Federal Reserve released its discussion paper on CBDC, seeking public input on the advantages and disadvantages of these products and the preservation of monetary and financial stability while complementing existing means of payment.

In February 2022, the Swiss Federal Council published its report on framework conditions for digital finance in Switzerland, which includes measures linked to 12 prioritized action areas. The Federal Department of Finance will implement the measures in 2022 and subsequent years in close coordination with relevant stakeholders, including the private sector. Among the policy topics addressed are open finance, artificial intelligence, distributed ledger technology, cybersecurity, green fintech, the Cloud, data sharing and cross-border data flows.

## Operational resilience and cybersecurity

In 2021, there were several regulatory developments on operational resilience and cybersecurity.

In March 2021, the BCBS published its Principles for Operational Resilience (the BCBS Principles), providing global standards intended to strengthen the ability of banks to absorb operational risk-related events that could cause significant operational failures or widescale disruption in financial markets.

In March 2021, the Prudential Regulation Authority (the PRA) and the Financial Conduct Authority (the FCA) published their final rules on the UK operational resilience framework. The new rules require firms to identify their important business services, set impact tolerances for such and commence testing against severe but plausible scenarios by 31 March 2022. Firms are expected to introduce any required resilience reinforcements by 31 March 2025. The rules in the UK will apply to UBS AG London Branch and other Group entities that provide services to UBS AG London Branch.

In the fourth quarter of 2021, both the Monetary Authority of Singapore and the Hong Kong Monetary Authority issued consultations on proposed rules to incorporate the BCBS Principles for Operational Resilience into their regulatory and supervisory frameworks. Rules in the UK, Singapore and Hong Kong SAR are broadly aligned to the BCBS Principles.

UBS established a global Enhanced Operational Resilience program in August 2020 with the aim of ensuring implementation and alignment with key regulatory requirements on operational resilience.

In November 2021, the US banking regulators, including the FRB, the OCC and the FDIC published final rules regarding computer security incident reporting requirements, including thresholds and timing, that apply to supervised banks and service providers and become effective in April 2022.

In January 2022, the Swiss Federal Council initiated a consultation on a proposal to introduce a reporting obligation for cyberattacks on critical infrastructures, including banks. The proposal defines the tasks of the National Cybersecurity Centre, the designated central recipient of the reports. The consultation will last until 14 April 2022. Once finalized, UBS will need to adjust its reporting processes accordingly.

### Developments regarding the relationship between Switzerland and the European Union

In May 2021, the Swiss Federal Council terminated negotiations on the Institutional Framework Agreement (the IFA) between Switzerland and the European Union (the EU) due to substantial differences of opinion regarding key aspects of the agreement. The IFA would have formed a mutually agreed basis to consolidate and further develop Switzerland's bilateral market access approach with the EU. As a result, the EU is unlikely to be ready to conclude new market access agreements – including on financial services – with Switzerland in the near future.

In November 2021, the Swiss Federal Council decided to extend the existing measure protecting the Swiss stock exchange infrastructure (which was due to expire on 31 December 2021) until 31 December 2025 and to open a consultation on incorporating this measure into the Financial Market Infrastructure Act. In the absence of mutual recognition of equivalence by both Swiss and EU authorities, the measure requires EU investment firms to trade Swiss equities on Swiss stock exchanges. UBS had previously adjusted its internal processes to reflect this measure.

### Revision of the Swiss Banking Act

In December 2021, the Swiss Parliament adopted a revision of the Banking Act. The legislative amendment aims to strengthen depositor protection and promote financial system stability by reducing the time needed to pay out protected deposits through the depositor protection scheme in the event a bank enters bankruptcy. Among other measures, it will also require banks to deposit 50% of the contribution obligations in securities or Swiss francs. The revision also introduces amendments with regard to insolvency law and segregation, in particular the introduction of a more detailed and solid legal basis for bail-in, including the ranking of claims subject to bail in, ensuring legal certainty for the operationalization of a bail-in. The new provisions also provide for the subordination of bail-in-bonds, with the exception of such bail-in-bonds issued by a holding company if other debt ranking pari passu does not exceed 5% of the total bail-in-bond debt. The revised Banking Act will enter into force at the beginning of 2023. We expect moderate costs for all Switzerland-based UBS Group entities that are within the scope of the revision.

### Review of restrictions on the business model of PostFinance AG

In January 2021, the Swiss Federal Council announced that it intends to privatize PostFinance AG, a Swiss systemically important bank, which is held by the state-owned Swiss Post AG. As a result, the prohibition on PostFinance AG granting mortgages and other types of loans would be lifted, among other changes. As the envisaged changes require a revision of the Post Organization Act, the Swiss Parliament will ultimately decide on any changes.

In June 2021, the Swiss Federal Council submitted a dispatch to the Swiss Parliament. If the revision passes the legislative process, which is expected to start in 2022, the reform could further intensify competition in the Swiss mortgage market.

### Registration under the US security-based swaps regulations

In October 2021, FINMA and the US Securities and Exchange Commission (the SEC) finalized a memorandum of understanding relating to cooperation in oversight of Swiss entities registered under the SEC's security-based swaps regulations. The SEC also published a substituted compliance order modifying the application of certain of its regulations for Swiss security-based swap dealers. Under SEC regulations, UBS AG has been registered as a security-based swap dealer since 1 November 2021.

### Developments regarding LIBOR

In March 2021, the FCA confirmed that the one-week and two-month US dollar London Interbank Offered Rate (USD LIBOR) settings, along with all GBP, EUR, CHF, and JPY LIBOR settings, would, immediately after 31 December 2021, either cease to be provided by any administrator or no longer be representative of the underlying market. The FCA further confirmed that the remaining USD LIBOR settings will cease immediately after 30 June 2023.

In October 2021, the FRB issued guidance that banks should, with limited exceptions, cease to enter into new contracts referencing USD LIBOR as soon as practicable and, in any event, no later than 31 December 2021.

# Risk factors

Certain risks, including those described below, may affect our ability to execute our strategy or our business activities, financial condition, results of operations and prospects. We are inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight. As a result, risks that we do not consider to be material, or of which we are not currently aware, could also adversely affect us. Within each category, the risks that we consider to be most material are presented first.

## Market, credit and macroeconomic risks

### Performance in the financial services industry is affected by market conditions and the macroeconomic climate

Our businesses are materially affected by market and macroeconomic conditions. A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, such as international armed conflicts, the imposition of sanctions, global trade or global supply chain disruptions, changes in monetary or fiscal policy, changes in trade policies or international trade disputes, significant inflationary or deflationary price changes, disruptions in one or more concentrated economic sectors, natural disasters, pandemics, civil unrest, acts of violence, war or terrorism. Such developments can have unpredictable and destabilizing effects.

For example, as a result of the Russian invasion of Ukraine on 24 February 2022 and the ongoing hostilities, Switzerland, the US, the EU, the UK and others have announced sanctions against certain Russian banks, companies and individuals, as well as the Russian Central Bank, and have announced that certain Russian banks will be barred from using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system. In addition, it is estimated that one million people have been displaced inside Ukraine and many of those displaced may seek refuge in Poland and other neighboring countries, as the conflict continues these numbers are likely to increase. The scale of the conflict and the unprecedented speed and extent of sanctions may produce many of the effects described above, including in ways that cannot now be anticipated.

Adverse changes in interest rates, credit spreads, securities prices, market volatility and liquidity, foreign exchange rates, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can affect our earnings and ultimately our financial and capital positions. As financial markets are global and highly interconnected, local and regional events can have widespread effects well beyond the countries in which they occur. Any of these developments may adversely affect our business or financial results.

If individual countries impose restrictions on cross-border payments, trade, or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the Eurozone or as result of the imposition of sanctions on individuals, entities or countries), we could suffer losses from enforced default by counterparties, be unable to access our own assets, or be unable to effectively manage our risks.

Should the market experience significant volatility, a decrease in business and client activity and market volumes could result, which would adversely affect our ability to generate transaction fees, commissions and margins, particularly in Global Wealth Management and the Investment Bank, as we experienced in the fourth quarter of 2018. A market downturn would likely reduce the volume and valuation of assets that we manage on behalf of clients, which would reduce recurring fee income that is charged based on invested assets in Global Wealth Management and Asset Management and performance-based fees in Asset Management. Such a downturn could also cause a decline in the value of assets that we own and account for as investments or trading positions. In addition, reduced market liquidity or volatility may limit trading opportunities and may therefore reduce transaction-based income and may also impede our ability to manage risks.

We could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in markets due to macroeconomic or political developments, or as a result of the failure of a major market participant. Over time, our strategic plans have become more heavily dependent on our ability to generate growth and revenue in emerging markets, including China, causing us to be more exposed to the risks associated with such markets.

Global Wealth Management derives revenues from all the principal regions, but has a greater concentration in Asia than many peers and a substantial presence in the US, unlike many European peers. The Investment Bank's business is more heavily weighted to Europe and Asia than our peers, while its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. Our performance may therefore be more affected by political, economic and market developments in these regions and businesses than some other financial service providers.

### Our results of operations and financial condition may be adversely affected by the COVID-19 pandemic and the response to it

The COVID-19 pandemic and the governmental measures taken to manage it, as well as labor market displacements, supply chain disruptions, and inflationary pressures, may continue to adversely affect global and regional economic conditions, resulting in contraction in the global economy, substantial volatility in the financial markets, crises in markets for goods and services, as well as significant disruptions in certain regional real estate markets, increased unemployment, increased credit and counterparty risk, and operational challenges. Governments and central banks around the world reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates and have begun to phase out pandemic relief. In addition, while vaccination campaigns have had significant success in some regions and a number of economies are recovering, outbreaks in locations where vaccination rates are low or vaccines are unavailable on a large scale, as well as the spread of new variants of COVID-19, create uncertainty around a sustainable recovery. Resurgence of the pandemic, ineffectiveness of vaccines and continuance or imposition of new pandemic control measures may result in additional adverse effects on the global economy negatively affecting UBS's results of operations and financial condition.

The COVID-19 pandemic affected all of UBS's businesses, and these effects could be greater in the future if adverse conditions persist or worsen. These effects included declines in some asset prices, spikes in volatility, inflationary pressures, supply chain disruptions, lower or negative interest rates, widening of credit spreads and credit deterioration. These effects have resulted in decreases in the valuation of loans and commitments, an increase in the allowance for credit losses and lower valuations of certain classes of trading assets. While many of these effects have reversed as economies have reopened and economic stimulus has been maintained, or were offset by high levels of client activity and by improved asset prices in many sectors in 2021, these favorable conditions may not persist. In particular, real estate markets in some regions may be significantly disrupted as a result of repeated temporary closures of business, sheltering-in-place directives, and remote work protocols enacted to respond to seasonal increases in infection rates of COVID-19.

Should inflationary pressures or other adverse global market conditions persist, or should the pandemic lead to additional economic or market disruptions, we may experience reduced client activity and demand for our products and services, increased utilization of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in our loan portfolios, loan commitments and other assets, and impairments of other financial assets.

A fall in equity markets and consequent decline in invested assets would also reduce recurring fee income in our Global Wealth Management and Asset Management businesses. These factors and other consequences of the COVID-19 pandemic may negatively affect our financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible downgrades to our credit ratings.

The extent to which the pandemic, and the related adverse economic conditions, affect our businesses, results of operations and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, including the scope and duration of the pandemic and any recovery period, the adequacy of vaccine distribution plans and execution of those plans, as well as the efficacy of vaccines against potential virus variants, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on our customers, counterparties, employees and third-party service providers.

### Our credit risk exposure to clients, trading counterparties and other financial institutions would increase under adverse or other economic conditions

Credit risk is an integral part of many of our activities, including lending, underwriting and derivatives activities. Adverse economic or market conditions, or the imposition of sanctions or other restrictions on clients, counterparties or financial institutions, may lead to impairments and defaults on these credit exposures. Losses may be exacerbated by declines in the value of collateral securing loans and other exposures. In our prime brokerage, securities finance and Lombard lending businesses, we extend substantial amounts of credit against securities collateral, the value or liquidity of which may decline rapidly. Market closures the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. Our Swiss mortgage and corporate lending portfolios are a large part of our overall lending. We are therefore exposed to the risk of adverse economic developments in Switzerland, including property valuations in the housing market, the strength of the Swiss franc and its effect on Swiss exports, prevailing negative interest rates applied by the Swiss National Bank, economic conditions within the Eurozone or the EU, and the evolution of agreements between Switzerland and the EU or European Economic Area, which represent Switzerland's largest export market. We have exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although we believe this portfolio is prudently managed, we could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur.

As we experienced in 2020, under the IFRS 9 expected credit loss (ECL) regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect our common equity tier 1 (CET1) capital and regulatory capital ratios.

### Interest rate trends and changes could negatively affect our financial results

The low or negative interest rate environment, particularly in Switzerland and the Eurozone, may further erode interest margins and adversely affect the net interest income generated by the Personal & Corporate Banking and Global Wealth Management businesses. The Swiss National Bank permits Swiss banks to make deposits up to a threshold at zero interest. Any reduction in or limitation on the use of this exemption from the otherwise applicable negative interest rates would exacerbate the effect of negative interest rates in Switzerland on our business.

Low and negative interest rates may also affect customer behavior and hence our overall balance sheet structure. Mitigating actions that we have taken, or may take in the future, such as the introduction of selective deposit fees or minimum lending rates, have resulted and may further result in the loss of customer deposits (a key source of funding for us), net new money outflows and a declining market share in our Swiss lending business. Interest rates in the US and some other markets are expected to increase as central banks respond to higher inflation. As returns for alternatives to deposits, such as money market funds, increase with interest rates, we may experience outflows of customer deposits or a higher cost of deposit funding if customers shift from deposits to alternative products.

Our shareholders' equity and capital are also affected by changes in interest rates. In particular, the calculation of our Swiss pension plan's net defined benefit assets and liabilities is sensitive to the applied discount rate and to fluctuations in the value of pension plan assets. Any further reduction in interest rates may lower the discount rates and result in pension plan deficits as a result of the long duration of corresponding liabilities. This could lead to a corresponding reduction in our equity and CET1 capital.

### Currency fluctuation may have an adverse effect on our profits, balance sheet and regulatory capital

We are subject to currency fluctuation risks. Although our change from the Swiss franc to the US dollar as our functional and presentation currency in 2018 reduces our exposure to currency fluctuation risks with respect to the Swiss franc, a substantial portion of our assets and liabilities are denominated in currencies other than the US dollar. Additionally, in order to hedge our CET1 capital ratio, our CET1 capital must have foreign currency exposure, which leads to currency sensitivity. As a consequence, it is not possible to simultaneously fully hedge both the amount of capital and the capital ratio. Accordingly, changes in foreign exchange rates may adversely affect our profits, balance sheet and capital, leverage and liquidity coverage ratios.

## Regulatory and legal risks

### Material legal and regulatory risks arise in the conduct of our business

As a global financial services firm operating in more than 50 countries, we are subject to many different legal, tax and regulatory regimes, including extensive regulatory oversight, and are exposed to significant liability risk. We are subject to a large number of claims, disputes, legal proceedings and government investigations, and we expect that our ongoing business activities will continue to give rise to such matters in the future. The extent of our financial exposure to these and other matters is material and could substantially exceed the level of provisions that we have established. We are not able to predict the financial and non-financial consequences these matters may have when resolved.

We may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and our reputation, result in prudential actions from regulators, and cause us to record additional provisions for such matters even when we believe we have substantial defenses and expect to ultimately achieve a more favorable outcome. This risk is illustrated by the award of aggregate penalties and damages of EUR 4.5 billion by the court of first instance in France. This award was reduced to an aggregate of EUR 1.8 billion by the Court of Appeal, and UBS has further appealed this judgment.

Resolution of regulatory proceedings may require us 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 our participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material adverse consequences for us.

Our settlements with governmental authorities in connection with foreign exchange, London Interbank Offered Rates (LIBOR) and other benchmark interest rates starkly illustrate the significantly increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. In connection with investigations related to LIBOR and other benchmark rates and to foreign exchange and precious metals, very large fines and disgorgement amounts were assessed against us, and we were required to enter guilty pleas despite our full cooperation with the authorities in the investigations, and despite our receipt of conditional leniency or conditional immunity from anti-trust authorities in a number of jurisdictions, including the US and Switzerland.

For a number of years we have been, and we continue to be, subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain our strategic flexibility. We believe we have remediated the deficiencies that led to significant losses in the past and made substantial changes in our controls and conduct risk frameworks to address the issues highlighted by the LIBOR-related, foreign exchange and precious metals regulatory resolutions. We have also undertaken extensive efforts to implement new regulatory requirements and meet heightened expectations.

We continue to be in active dialog with regulators concerning the actions we are taking to improve our operational risk management, risk control, anti-money laundering, data management and other frameworks, and otherwise seek to meet supervisory expectations, but there can be no assurance that our efforts will have the desired effects. As a result of this history, our level of risk with respect to regulatory enforcement may be greater than that of some of our peers.

### Substantial changes in regulation may adversely affect our businesses and our ability to execute our strategic plans

Since the financial crisis of 2008, we are subject to significant regulatory requirements, including recovery and resolution planning, changes in capital and prudential standards, changes in taxation regimes as a result of changes in governmental administrations, as well as new and revised market standards and fiduciary duties. Notwithstanding attempts by regulators to align their efforts, the measures adopted or proposed for banking regulation differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution. In addition, Swiss regulatory changes with regard to such matters as capital and liquidity have often proceeded more quickly than those in other major jurisdictions, and Switzerland's requirements for major international banks are among the strictest of the major financial centers. This could put Swiss banks, such as UBS, at a disadvantage when competing with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

Our implementation of additional regulatory requirements and changes in supervisory standards, as well as our compliance with existing laws and regulations, continue to receive heightened scrutiny from supervisors. If we do not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, we would likely be subject to further regulatory scrutiny as well as measures that may further constrain our strategic flexibility.

*Resolvability and resolution and recovery planning:* We have moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased our capital and funding costs and reduced operational flexibility. For example, we have transferred all of our US subsidiaries under a US intermediate holding company to meet US regulatory requirements, and have transferred substantially all the operations of Personal & Corporate Banking and Global Wealth Management booked in Switzerland to UBS Switzerland AG to improve resolvability.

These changes create operational, capital, liquidity, funding and tax inefficiencies. Our operations in subsidiaries are subject to local capital, liquidity, stable funding, capital planning and stress testing requirements. These requirements have resulted in increased capital and liquidity requirements in affected subsidiaries, which limit our operational flexibility and negatively affect our ability to benefit from synergies between business units and to distribute earnings to the Group.

Under the Swiss too-big-to-fail (TBTF) framework, we are required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under this framework and similar regulations in the US, the UK, the EU and other jurisdictions in which we operate, we are required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in a significant adverse event or in the event of winding down the Group or the operations in a host country through resolution or insolvency proceedings. If a recovery or resolution plan that we produce is determined by the relevant authority to be inadequate or not credible, relevant regulation may permit the authority to place limitations on the scope or size of our business in that jurisdiction, or oblige us to hold higher amounts of capital or liquidity or to change our legal structure or business in order to remove the relevant impediments to resolution.

*Capital and prudential standards:* As an internationally active Swiss systemically relevant bank (an SRB), we are subject to capital and total loss-absorbing capacity (TLAC) requirements that are among the most stringent in the world. Moreover, many of our subsidiaries must comply with minimum capital, liquidity and similar requirements and, as a result, UBS Group AG and UBS AG have contributed a significant portion of their capital and provide substantial liquidity to these subsidiaries. These funds are available to meet funding and collateral needs in the relevant entities, but are generally not readily available for use by the Group as a whole.

We expect our risk-weighted assets (RWA) to further increase as the effective date for additional capital standards promulgated by the Basel Committee on Banking Supervision (the BCBS) draws nearer.

Increases in capital and liquidity standards could significantly curtail our ability to pursue strategic opportunities or to return capital to shareholders.

*Market regulation and fiduciary standards:* Our wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards with respect to fiduciary and other standards of care and the focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client, which require effective implementation across the global systems and processes of investment managers and other industry participants. For example, we have made material changes to our business processes, policies and the terms on which we interact with these clients in order to comply with SEC Regulation Best Interest, which is intended to enhance and clarify the duties of brokers and investment advisers to retail customers, the Volcker Rule, which limits our ability to engage in proprietary trading, as well as changes in European and Swiss market conduct regulation. Future changes in the regulation of our duties to customers may require us to make further changes to our businesses, which would result in additional expense and may adversely affect our business. We may also become subject to other similar regulations substantively limiting the types of activities in which we may engage or the way we conduct our operations.

In many instances, we provide services on a cross-border basis, and we are therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonize the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect our ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities based on determinations of equivalence of home country regulation, substituted compliance or similar principles of comity. A negative determination with respect to Swiss equivalence could limit our access to the market in those jurisdictions and may negatively influence our ability to act as a global firm. For example, the EU declined to extend its equivalence determination for Swiss exchanges, which lapsed as of 30 June 2019.

UBS experienced cross-border outflows over a number of years as a result of heightened focus by fiscal authorities on cross-border investment and fiscal amnesty programs, in anticipation of the implementation in Switzerland of the global automatic exchange of tax information, and as a result of the measures UBS has implemented in response to these changes. Further changes in local tax laws or regulations and their enforcement, additional cross-border tax information exchange regimes, national tax amnesty or enforcement programs or similar actions may affect our clients' ability or willingness to do business with us and could result in additional cross-border outflows.

### If we experience financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on our shareholders and creditors

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS Group AG, UBS AG and UBS Switzerland AG, if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfills capital adequacy requirements. Such powers include ordering protective measures, instituting restructuring proceedings (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings, all of which may have a material adverse effect on shareholders and creditors or may prevent UBS Group AG, UBS AG or UBS Switzerland AG from paying dividends or making payments on debt obligations.

UBS would have limited ability to challenge any such protective measures, and creditors and shareholders would also have limited ability under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

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

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

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

### We may be unable to fully realize our sustainability, climate, environmental and social goals, which could damage our business prospects, reputation and lead to increased regulatory scrutiny and increased risk of litigation

We have set ambitious goals for environmental, social and governance matters. These goals include our ambitions for environmental sustainability in our operations, including carbon emissions, in the business we do with clients and in products that we offer. They also include goals or ambitions for diversity in our workforce and supply chain, and support for the United Nations Sustainable Development Goals. There is substantial uncertainty as to the scope of actions that may be required of us, governments and others to achieve the goals we have set, and many of our goals and objectives are only achievable with a combination of government and private action. National and international standards, industry and scientific practices, and regulatory taxonomies and disclosure obligations addressing these matters are in a state of rapid development. Although we have defined and disclosed our goals based on the standards that exist today, there can be no assurance that the various ESG regulatory and disclosure regimes under which we operate will not come into conflict with one another or that the current standards will not be interpreted differently than our understanding or change in a manner that substantially increases the cost or effort for us to achieve such goals or that such goals may prove to be considerably more difficult or even impossible to achieve. If we are not able to achieve the goals we have set, or can only do so at significant expense to our business, we may fail to meet regulatory expectations, incur damage to our reputation or be exposed to risk of litigation or other adverse action.

### Our financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The application of these accounting standards requires the use of judgment based on estimates and assumptions that may involve significant uncertainty at the time they are made. This is the case, for example, with respect to the measurement of fair value of financial instruments, the recognition of deferred tax assets, the assessment of the impairment of goodwill, expected credit losses and estimation of provisions for litigation, regulatory and similar matters. Such judgments, including the underlying estimates and assumptions, which encompass historical experience, expectations of the future and other factors, are regularly evaluated to determine their continuing relevance based on current conditions. Using different assumptions could cause the reported results to differ. Changes in assumptions, or failure to make the changes necessary to reflect evolving market conditions, may have a significant effect on the financial statements in the periods when changes occur. Estimates of provisions may be subject to a wide range of potential outcomes and significant uncertainty. For example, the broad range of potential outcomes in our proceeding in France increases the uncertainty associated with assessing the appropriate provision. If the estimates and assumptions in future periods deviate from the current outlook, our financial results may also be negatively affected.

Changes to IFRS or interpretations thereof may cause future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. For example, the introduction of the expected credit loss (ECL) framework under IFRS 9 in 2018 fundamentally changed how credit risk arising from loans, loan commitments, guarantees and certain revocable facilities is accounted for. Under the regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2, only gradually diminishing once the economic outlook improves. As we observed in 2020, this effect may be more pronounced in a deteriorating economic environment. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect our CET1 capital and regulatory capital ratios.

### We may be unable to maintain our capital strength

Capital strength enables us to grow our businesses and absorb increases in regulatory and capital requirements. It reassures our clients and stakeholders, allows us to maintain our capital return policy and contributes to our credit ratings. Our capital ratios are driven primarily by RWA, the leverage ratio denominator and eligible capital, all of which may fluctuate based on a number of factors, some of which are outside our control. Our ability to maintain our capital ratios is subject to numerous risks, including the financial results of our businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of our CET1 ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. The results of our businesses may be adversely affected by events arising from other risk factors described herein. In some cases, such as litigation and regulatory risk and operational risk events, losses may be sudden and large. These risks could reduce the amount of capital available for return to shareholders and hinder our ability to achieve our capital returns target of a progressive cash dividend coupled with a share repurchase program.

Our eligible capital may be reduced by losses recognized within net profit or other comprehensive income. Eligible capital may also be reduced for other reasons, including acquisitions which change the level of goodwill, changes in temporary differences related to deferred tax assets included in capital, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, changes in regulatory interpretations on the inclusion or exclusion of items contributing to our shareholders equity in regulatory capital, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in our net defined benefit obligation recognized in other comprehensive income.

RWA are driven by our business activities, by changes in the risk profile of our exposures, by changes in our foreign currency exposures and foreign exchange rates, and by regulation. For instance, substantial market volatility, a widening of credit spreads, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in an increase in RWA. We have significantly reduced our market risk and credit risk RWA in recent years. However, increases in operational risk RWA, particularly those arising from litigation, regulatory and similar matters, and regulatory changes in the calculation of RWA, as well as regulatory add-ons to RWA, have offset a substantial portion of this reduction. Changes in the calculation of RWA, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the implementation of the capital standards promulgated by the Basel Committee on Banking Supervision, which are proposed to take effect in 2023, are expected to increase our RWA.

The leverage ratio is a balance sheet-driven measure and therefore limits balance sheet-intensive activities, such as lending, more than activities that are less balance sheet intensive, and it may constrain our business even if we satisfy other risk-based capital requirements. Our leverage ratio denominator is driven by, among other things, the level of client activity, including deposits and loans, foreign exchange rates, interest rates and other market factors. Many of these factors are wholly or partly outside of our control.

### The effect of taxes on our financial results is significantly influenced by tax law changes and reassessments of our deferred tax assets

Our effective tax rate is highly sensitive to our performance, our expectation of future profitability and any potential increases or decreases in statutory tax rates, such as any potential increase in the US federal corporate tax rate. Further, based on prior years' tax losses, we have recognized deferred tax assets (DTAs) reflecting the probable recoverable level based on future taxable profit as informed by our business plans. If our performance is expected to produce diminished taxable profit in future years, particularly in the US, we may be required to write down all or a portion of the currently recognized DTAs through the income statement in excess of anticipated amortization. This would have the effect of increasing our effective tax rate in the year in which any write-downs are taken. Conversely, if we expect the performance of entities in which we have unrecognized tax losses to improve, particularly in the US or the UK, we could potentially recognize additional DTAs. The effect of doing so would be to reduce our effective tax rate in years in which additional DTAs are recognized and to increase our effective tax rate in future years. Our effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This, in turn, would cause a write-down of the associated DTAs. For example, the reduction in the US federal corporate tax rate to 21% from 35% introduced by the US Tax Cuts and Jobs Act resulted in a USD 2.9 billion net write-down in the Group's DTAs in the fourth quarter of 2017. Conversely, an increase in US corporate tax rates would result in an increase in the Group's DTAs.

We generally revalue our DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account our updated business plans. We consider the performance of our businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of our DTAs, including the remaining tax loss carry-forward period and our assessment of expected future taxable profits over the life of DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict.

Our results in past years have demonstrated that changes in the recognition of DTAs can have a very significant effect on our reported results. Any future change in the manner in which UBS remeasures DTAs could affect UBS's effective tax rate, particularly in the year in which the change is made.

Our full-year effective tax rate could change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected, or if branches and subsidiaries generate tax losses that we cannot benefit from through the income statement. In particular, losses at entities or branches that cannot offset for tax purposes taxable profits in other group entities, and which do not result in additional DTA recognition, may increase our effective tax rate. In addition, tax laws or the tax authorities in countries where we have undertaken legal structure changes may cause entities to be subject to taxation as permanent establishments or may prevent the transfer of tax losses incurred in one legal entity to newly organized or reorganized subsidiaries or affiliates or may impose limitations on the utilization of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilize the tax losses in the originating entity, the DTAs associated with such tax losses may be required to be written down through the income statement.

Changes in tax law may materially affect our effective tax rate, and, in some cases, may substantially affect the profitability of certain activities. In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, including assertions that we are required to pay taxes in a jurisdiction as a result of activities connected to that jurisdiction constituting a permanent establishment or similar theory, and changes in our assessment of uncertain tax positions, could cause the amount of taxes we ultimately pay to materially differ from the amount accrued.

## Strategy, management and operational risks

### Operational risks affect our business

Our businesses depend on our ability to process a large number of transactions, many of which are complex, across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which we are subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. We also rely on access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Any failure of our or third-party systems could have an adverse effect on us. These risks may be greater as we deploy newer technologies, such as blockchain, or products that rely on these technologies. Our operational risk management and control systems and processes are designed to help ensure that the risks associated with our activities – including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyberattacks, breaches of information security, inadequate or ineffective access controls and failure of security and physical protection – are appropriately controlled. If our internal controls fail or prove ineffective in identifying and remedying these risks, we could suffer operational failures that might result in material losses, such as the substantial loss we incurred from the unauthorized trading incident announced in September 2011.

As a significant proportion of our staff have been and will continue working from outside the offices as a consequence of the COVID-19 pandemic, we have faced, and will continue to face, new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While we have taken measures to manage these risks, such measures have never been tested on the scale or duration that we are currently experiencing, and there is risk that these measures will prove not to have been effective in the current unprecedented operating environment.

We use automation as part of our efforts to improve efficiency, reduce the risk of error and improve our client experience. We intend to expand the use of robotic processing, machine learning and artificial intelligence to further these goals. Use of these tools presents their own risks, including the need for effective design and testing; the quality of the data used for development and operation of machine learning and artificial intelligence tools may adversely affect their functioning and result in errors and other operational risks.

For financial institutions, cybersecurity risks have increased due to the widespread use of digital technologies, cloud computing and mobile devices to conduct financial business and transactions. In addition, cyberattacks by hackers, terrorists, criminal organizations, nation states and extremists have also increased in frequency and sophistication. Current geopolitical tensions also may lead to increased risk of cyberattack from foreign state actors. In particular, the Russian invasion of Ukraine and the imposition of significant sanctions on Russia by Switzerland, the US, the EU, the UK and others may result in an increase in the risk of cyberattacks.

We and other financial services firms have been subject to breaches of security and to cyber- and other forms of attack, some of which are sophisticated and targeted attacks intended to gain access to confidential information or systems, disrupt service or destroy data. These attacks may be attempted through the introduction of viruses or malware, phishing and other forms of social engineering, distributed denial of service attacks and other means. These attempts may occur directly, or using equipment or security passwords of our employees, third-party service providers or other users. In addition to external attacks, we have experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of our data by employees and others. We may not be able to anticipate, detect or recognize threats to our systems or data and our preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding our preventative measures, we may not immediately detect a particular breach or attack. Once a particular attack is detected, time may be required to investigate and assess the nature and extent of the attack. A successful breach or circumvention of security of our systems or data could have significant negative consequences for us, including disruption of our operations, misappropriation of confidential information concerning us or our customers, damage to our systems, financial losses for us or our customers, violations of data privacy and similar laws, litigation exposure and damage to our reputation. We may be subject to enforcement actions as regulatory focus on cybersecurity increases and regulators have announced new rules, guidance and initiatives on ransomware and other cybersecurity-related issues.

We are subject to complex and frequently changing laws and regulations governing the protection of client and personal data, such as the EU General Data Protection Regulation. Ensuring that we comply with applicable laws and regulations when we collect, use and transfer personal information requires substantial resources and may affect the ways in which we conduct our business. In the event that we fail to comply with applicable laws, we may be exposed to regulatory fines and penalties and other sanctions. We may also incur such penalties if our vendors or other service providers or clients or counterparties fail to comply with these laws or to maintain appropriate controls over protected data. In addition, any loss or exposure of client or other data may adversely damage our reputation and adversely affect our business.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been on fighting money laundering and terrorist financing. We are required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of our clients under the laws of many of the countries in which we operate. We are also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. We have implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Notwithstanding this, US regulators have found deficiencies in the design and operation of anti-money laundering programs in our US operations. We have undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for our programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of our programs in these areas, could have serious consequences both from legal enforcement action and from damage to our reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals, as exemplified by the breadth and scope of the sanctions imposed in relation the Russian invasion of Ukraine, increase our cost of monitoring and complying with sanctions requirements and increase the risk that we will not identify in a timely manner client activity that is subject to a sanction.

As a result of new and changed regulatory requirements and the changes we have made in our legal structure, the volume, frequency and complexity of our regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding our internal reporting and data aggregation, as well as management reporting. We have incurred and continue to incur significant costs to implement infrastructure to meet these requirements. Failure to meet external reporting requirements accurately and in a timely manner or failure to meet regulatory expectations of internal reporting, data aggregation and management reporting could result in enforcement action or other adverse consequences for us.

In addition, despite the contingency plans that we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses and the communities in which we operate. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that we use or that are used by third parties with whom we conduct business.

### We may not be successful in the ongoing execution of our strategic plans

We have transformed UBS to focus on our Global Wealth Management business and our universal bank in Switzerland, complemented by Asset Management and a significantly smaller and more capital-efficient Investment Bank; we have substantially reduced the risk-weighted assets and leverage ratio denominator usage in Group Functions; and made significant cost reductions. Risk remains that going forward we may not succeed in executing our strategy or achieving our performance targets, or may be delayed in doing so. Macroeconomic conditions, geopolitical uncertainty, changes to regulatory requirements and the continuing costs of meeting these requirements have prompted us to adapt our targets and ambitions in the past and we may need to do so again in the future.

To achieve our strategic plans, we expect to continue to make significant expenditures on technology and infrastructure to improve client experience, improve and further enable digital offerings and increase efficiency. We also may seek to implement our strategy through acquisitions or strategic partnerships to expand or improve our product offerings or target additional client segments. Our investments in new technology and our acquisitions and strategic partnerships may not fully achieve our objectives or improve our ability to attract and retain customers. In addition, we face competition in providing digitally enabled offerings from both existing competitors and new financial service providers in various portions of the value chain. For example, technological advances and the growth of e-commerce have made it possible for e-commerce firms and other companies to offer products and services that were traditionally offered only by banks. These advances have also allowed financial institutions and other companies to provide digitally based financial solutions, including electronic securities trading, payments processing and online automated algorithmic-based investment advice at a low cost to their customers. We may have to lower our prices, or risk losing customers as a result. Our ability to develop and implement competitive digitally enabled offerings and processes will be an important factor in our ability to compete.

As part of our strategy, we seek to improve our operating efficiency, in part by controlling our costs. We may not be able to identify feasible cost reduction opportunities that are consistent with our business goals and cost reductions may be realized later or may be smaller than we anticipate. Higher temporary and permanent regulatory costs and higher business demand than anticipated have partly offset cost reductions and delayed the achievement of our past cost reduction targets, and we could continue to be challenged in the execution of our ongoing efforts to improve operating efficiency.

Changes in our workforce as a result of outsourcing, nearshoring, offshoring, insourcing or staff reductions or, changes which arise from the introduction of work from home or other flexible ways of working or agile work methodologies may introduce new operational risks that, if not effectively addressed, could affect our ability to achieve cost and other benefits from such changes, or could result in operational losses.

As we implement effectiveness and efficiency programs, we may also experience unintended consequences, such as the unintended loss or degradation of capabilities that we need in order to maintain our competitive position, achieve our targeted returns or meet existing or new regulatory requirements and expectations.

### We depend on our risk management and control processes to avoid or limit potential losses in our businesses

Controlled risk-taking is a major part of the business of a financial services firm. Some losses from risk-taking activities are inevitable, but to be successful over time, we must balance the risks we take against the returns generated. Therefore, we must diligently identify, assess, manage and control our 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.

We have not always been able to prevent serious losses arising from risk management failures and extreme or sudden market events. We recorded substantial losses on fixed-income trading positions in the 2008 financial crisis, in the unauthorized trading incident in 2011 and, more recently, positions resulting from the default of a US prime brokerage client. We revise and strengthen our risk management and control frameworks to seek to address identified shortcomings. Nonetheless, we could suffer further losses in the future if, for example:

- we do not fully identify the risks in our portfolio, in particular risk concentrations and correlated risks;
- our assessment of the risks identified, or our response to negative trends, proves to be untimely, inadequate, insufficient or incorrect;
- our risk models prove insufficient to predict the scale of financial risks the bank faces;
- markets move in ways that we do not expect – in terms of their speed, direction, severity or correlation – and our ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom we have credit exposure or whose securities we hold are severely affected by events and we suffer defaults and impairments beyond the level implied by our risk assessment; or
- collateral or other security provided by our counterparties and clients proves inadequate to cover their obligations at the time of default.

We also hold legacy risk positions, primarily in Group Functions, that, in many cases, are illiquid and may again deteriorate in value.

We also manage risk on behalf of our clients. The performance of assets we hold for our clients may be adversely affected by the same factors mentioned above. If clients suffer losses or the performance of their assets held with us is not in line with relevant benchmarks against which clients assess investment performance, we may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that we manage, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. Deteriorations in the fair value of these positions would have a negative effect on our earnings.

### We may not be successful in implementing changes in our wealth management businesses to meet changing market, regulatory and other conditions

In recent years, inflows from lower-margin segments and markets have been replacing outflows from higher-margin segments and markets, in particular for cross-border clients. This dynamic, combined with changes in client product preferences as a result of which low-margin products account for a larger share of our revenues than in the past, has put downward pressure on Global Wealth Management's margins.

We are exposed to possible outflows of client assets in our asset-gathering businesses and to changes affecting the profitability of Global Wealth Management, in particular. Initiatives that we may implement to overcome the effects of changes in the business environment on our profitability, balance sheet and capital positions may not succeed in counteracting those effects and may cause net new money outflows and reductions in client deposits, as happened with our balance sheet and capital optimization program in 2015. There is no assurance that we will be successful in our efforts to offset the adverse effect of these or similar trends and developments.

### We may be unable 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, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. We face competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to us in their size and breadth, as well as competition from new technology-based market entrants, which may not be subject to the same level of regulation. Barriers to entry in individual markets and pricing levels are being eroded by new technology. We expect these trends to continue and competition to increase. Our competitive strength and market position could be eroded if we are unable to identify market trends and developments, do not respond to such trends and developments by devising and implementing adequate business strategies, do not adequately develop or update our technology including our digital channels and tools, or are unable to attract or retain the qualified people needed.

The amount and structure of our employee compensation is affected not only by our business results, but also by competitive factors and regulatory considerations.

In response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of our staff with other stakeholders, we have increased average deferral periods for stock awards, expanded forfeiture provisions and, to a more limited extent, introduced clawback provisions for certain awards linked to business performance. We have also introduced individual caps on the proportion of fixed to variable pay for the Group Executive Board (GEB) members, as well as certain other employees.

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect our ability to retain and attract key employees, particularly where we compete with companies that are not subject to these constraints. The loss of key staff and the inability to attract qualified replacements could seriously compromise our ability to execute our strategy and to successfully improve our operating and control environment, and could affect our business performance. Swiss law requires that shareholders approve the compensation of the Board of Directors (the BoD) and the GEB each year. If our shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on our ability to retain experienced directors and our senior management.

### Our reputation is critical to our success

Our reputation is critical to the success of our strategic plans, business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. In the past, our reputation has been adversely affected by our losses during the financial crisis, investigations into our cross-border private banking services, criminal resolutions of LIBOR-related and foreign exchange matters, as well as other matters. We believe that reputational damage as a result of these events was an important factor in our loss of clients and client assets across our asset-gathering businesses. New events that cause reputational damage could have a material adverse effect on our results of operation and financial condition, as well as our ability to achieve our strategic goals and financial targets.

### As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS Group AG's direct and indirect subsidiaries, including UBS AG, UBS Switzerland AG, UBS Americas Holding LLC and UBS Europe SE, are subject to laws and regulations that restrict dividend payments, authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG, or could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of the Group. For example, in the early stages of the COVID-19 pandemic, the European Central Bank ordered all banks under its supervision to cease dividend distributions and the Federal Reserve Board has limited capital distributions by bank holding companies and intermediate holding companies. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to all prior claims of the subsidiary's creditors.

Our capital instruments may contractually prevent UBS Group AG from proposing the distribution of dividends to shareholders, other than in the form of shares and from engaging in repurchases of shares, if we do not pay interest on these instruments.

Furthermore, UBS Group AG may guarantee some of the payment obligations of certain of the Group's subsidiaries from time to time. These guarantees may require UBS Group AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS Group AG is in need of liquidity to fund its own obligations.

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.

## Liquidity and funding risk

### Liquidity and funding management are critical to UBS's ongoing performance

The viability of our business depends on the availability of funding sources, and our success depends on our ability to obtain funding at times, in amounts, for tenors and at rates that enable us to efficiently support our asset base in all market conditions. Our funding sources have generally been stable, but could change in the future because of, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A substantial part of our liquidity and funding requirements are met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. A change in the availability of short-term funding could occur quickly.

The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at UBS's holding company and at subsidiaries, as well as the power of resolution authorities to bail in TLAC and other debt obligations, and uncertainty as to how such powers will be exercised, will increase our cost of funding and could potentially increase the total amount of funding required, in the absence of other changes in our business.

Reductions in our credit ratings may adversely affect the market value of the securities and other obligations and increase our funding costs, in particular with regard to funding from wholesale unsecured sources, and could affect the availability of certain kinds of funding. In addition, as experienced in connection with Moody's downgrade of UBS AG's long-term debt rating in June 2012, rating downgrades can require us to post additional collateral or make additional cash payments under trading agreements. Our credit ratings, together with our capital strength and reputation, also contribute to maintaining client and counterparty confidence, and it is possible that rating changes could influence the performance of some of our businesses.

The requirement to maintain a liquidity coverage ratio of high-quality liquid assets to estimated stressed short-term net cash outflows, and other similar liquidity and funding requirements, oblige us to maintain high levels of overall liquidity, limit our ability to optimize interest income and expense, make certain lines of business less attractive and reduce our overall ability to generate profits. In particular, UBS AG is subjected to increased liquidity coverage requirements under the direction of FINMA. Regulators may consider it necessary to increase these requirements in light of the anticipated economic stresses resulting from the COVID-19 pandemic. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that we are not overly reliant on short-term funding and that we have sufficient long-term funding for illiquid assets. The relevant calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in market-wide and firm-specific stress situations. There can be no assurance that in an actual stress situation our funding outflows would not exceed the assumed amounts.

# Financial and operating performance

Management report

2

# Accounting and financial reporting

## Critical accounting estimates and judgments

In preparing our financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), we apply judgment and make estimates and assumptions that may involve significant uncertainty at the time they are made. We regularly reassess those estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, and update them as necessary. Changes in estimates and assumptions may have significant effects on the financial statements. Furthermore, actual results may differ significantly from our estimates, which could result in significant losses to the Group, beyond what we expected or provided for.

Key areas involving a high degree of judgment and areas where estimates and assumptions are significant to the consolidated financial statements include:

– expected credit loss measurement;
– fair value measurement;
– income taxes;
– provisions and contingent liabilities;
– post-employment benefit plans;
– goodwill; and
– consolidation of structured entities.

› **Refer to "Note 1a Material accounting policies" in the "Consolidated financial statements" section of this report for more information**

› **Refer to the "Risk factors" section of this report for more information**

## Significant accounting and financial reporting changes in 2021

### Amendments to IFRS as a consequence of *Interest Rate Benchmark Reform*

Effective from 1 January 2021, we have adopted *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced, in particular in the area of hedge accounting. The amendments also introduced additional disclosure requirements covering how we are managing the transition to alternative benchmark rates, our progress as of the reporting date and the risks to which we are exposed because of the transition.

› **Refer to "Note 1b Changes in accounting policies, comparability and other adjustments" and "Note 25 Interest rate benchmark reform" in the "Consolidated financial statements" section of this report for more information**

# Group performance

## Income statement

| | For the year ended | | | % change from |
|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.20 |
| Net interest income | 6,705 | 5,862 | 4,501 | 14 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,850 | 6,960 | 6,842 | (16) |
| Credit loss (expense) / release | 148 | (694) | (78) | |
| Fee and commission income | 24,372 | 20,961 | 19,110 | 16 |
| Fee and commission expense | (1,985) | (1,775) | (1,696) | 12 |
| Net fee and commission income | 22,387 | 19,186 | 17,413 | 17 |
| Other income | 452 | 1,076 | 212 | (58) |
| Total operating income | 35,542 | 32,390 | 28,889 | 10 |
| Personnel expenses | 18,387 | 17,224 | 16,084 | 7 |
| General and administrative expenses | 5,553 | 4,885 | 5,288 | 14 |
| Depreciation, amortization and impairment of non-financial assets | 2,118 | 2,126 | 1,940 | 0 |
| Total operating expenses | 26,058 | 24,235 | 23,312 | 8 |
| Operating profit / (loss) before tax | 9,484 | 8,155 | 5,577 | 16 |
| Tax expense / (benefit) | 1,998 | 1,583 | 1,267 | 26 |
| Net profit / (loss) | 7,486 | 6,572 | 4,310 | 14 |
| Net profit / (loss) attributable to non-controlling interests | 29 | 15 | 6 | 92 |
| Net profit / (loss) attributable to shareholders | 7,457 | 6,557 | 4,304 | 14 |
| **Comprehensive income** | | | | |
| Total comprehensive income | 5,119 | 8,312 | 5,091 | (38) |
| Total comprehensive income attributable to non-controlling interests | 13 | 36 | 2 | (64) |
| Total comprehensive income attributable to shareholders | 5,106 | 8,276 | 5,089 | (38) |

# 2021 compared with 2020

## Results

In 2021, net profit attributable to shareholders increased by USD 900 million, or 14%, to USD 7,457 million, which included a net tax expense of USD 1,998 million.

Profit before tax increased by USD 1,329 million, or 16%, to USD 9,484 million, reflecting higher operating income, partly offset by an increase in operating expenses. Operating income increased by USD 3,152 million, or 10%, to USD 35,542 million, mainly reflecting a USD 3,201 million increase in net fee and commission income. Net credit loss releases were USD 148 million, compared with net credit loss expenses of USD 694 million in 2020. This was partly offset by USD 624 million lower other income and a USD 267 million decrease in total combined net interest income and other net income from financial instruments measured at fair value through profit or loss. Operating expenses increased by USD 1,823 million, or 8%, to USD 26,058 million. This increase was mainly driven by USD 1,163 million higher personnel expenses and USD 668 million higher general and administrative expenses.

## Operating income

Operating income increased by USD 3,152 million, or 10%, to USD 35,542 million.

### Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss decreased by USD 267 million to USD 12,555 million.

The Investment Bank decreased by USD 576 million to USD 5,067 million, largely driven by a USD 713 million decrease in our Financing business in Global Markets, primarily reflecting a loss of USD 861 million incurred in the first half of 2021 on the default of a US-based client of our prime brokerage business, partly offset by higher capital markets financing revenues. Derivatives & Solutions increased by USD 169 million, mainly due to higher revenues from equity derivatives, partly offset by lower income from foreign exchange, rates and credit products.

Group Functions recognized negative income of USD 397 million, compared with negative income of USD 302 million. This was largely due to USD 113 million lower net income in Group Treasury, mainly reflecting net effects related to accounting asymmetries, including hedge accounting ineffectiveness, partly offset by lower negative revenues related to centralized Group Treasury risk management services. In addition, 2021 included valuation gains of USD 58 million on auction rate securities in Non-core and Legacy Portfolio, compared with valuation losses of USD 9 million in the prior year.

Global Wealth Management increased by USD 302 million to USD 5,341 million, mainly driven by higher net interest income, largely reflecting growth in lending revenues from higher volumes and margins, partly offset by lower deposit revenues, mainly due to lower US dollar interest rates and despite higher deposit volumes.

Personal & Corporate Banking increased by USD 98 million to USD 2,557 million, mainly due to higher net interest income, driven by proactive deposit management.

› **Refer to "Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information**

**Net interest income and other net income from financial instruments measured at fair value through profit or loss**

| | For the year ended | | | % change from |
|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.20 |
| Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,274 | 4,563 | 3,490 | 16 |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,431 | 1,299 | 1,011 | 10 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,850 | 6,960 | 6,842 | (16) |
| Total | 12,555 | 12,822 | 11,343 | (2) |
| Global Wealth Management | 5,341 | 5,039 | 4,913 | 6 |
| *of which: net interest income* | *4,244* | *4,027* | *3,947* | *5* |
| *of which: transaction-based income from foreign exchange and other intermediary activity* [1] | *1,097* | *1,012* | *966* | *8* |
| Personal & Corporate Banking | 2,557 | 2,459 | 2,436 | 4 |
| *of which: net interest income* | *2,120* | *2,049* | *1,992* | *3* |
| *of which: transaction-based income from foreign exchange and other intermediary activity* [1] | *437* | *409* | *443* | *7* |
| Asset Management | (13) | (16) | (13) | (16) |
| Investment Bank [2] | 5,067 | 5,643 | 4,189 | (10) |
| *Global Banking* | *596* | *585* | *414* | *2* |
| *Global Markets* | *4,471* | *5,057* | *3,775* | *(12)* |
| Group Functions | (397) | (302) | (182) | 31 |

1 Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis of Global Wealth Management and Personal & Corporate Banking in the "Global Wealth Management" and "Personal & Corporate Banking" sections of this report, respectively. 2 Investment Bank information is provided at the business line level rather than by financial statement reporting line in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the "Investment Bank" section of this report.

## Net fee and commission income

Net fee and commission income increased by USD 3,201 million to USD 22,387 million.

Fees for portfolio management and related services increased by USD 1,753 million to USD 9,762 million, driven by Global Wealth Management, reflecting higher average fee-generating assets, due to positive market performance and net new fee-generating assets.

Investment fund fees increased by USD 501 million to USD 5,790 million, mainly driven by Global Wealth Management, reflecting higher average fee-generating assets. Management fees in Asset Management increased on a higher average invested asset base, partly offset by lower performance-based fee income, compared with the particularly high levels in 2020.

Underwriting fees increased by USD 378 million to USD 1,463 million, largely driven by higher equity underwriting revenues from public offerings in the Investment Bank.

M&A and corporate finance fees increased by USD 366 million to USD 1,102 million, primarily reflecting higher revenues from M&A transactions in our Global Banking business in the Investment Bank, due to an increase in the number of transactions that closed in 2021.

Net brokerage fees increased by USD 265 million to USD 4,123 million, reflecting higher levels of client activity in the Cash Equities business of the Investment Bank, as well as in Global Wealth Management.

› **Refer to "Note 4 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information**

## Other income

Other income decreased by USD 624 million to USD 452 million, mainly driven by lower gains from disposals of subsidiaries and associates, largely reflecting a USD 37 million gain from the sale of our remaining minority investment in Clearstream Fund Centre AG (previously Fondcenter AG) in 2021, compared with a gain of USD 631 million from the partial sale of Fondcenter AG (now Clearstream Fund Centre AG) in 2020. In 2021, we also recognized a gain of USD 100 million from the sale of our domestic wealth management business in Austria and income of USD 51 million related to a legacy bankruptcy claim. In the prior year, we recognized a USD 215 million gain from the sale of intellectual property rights associated with the Bloomberg Commodity Index family.

› **Refer to "Note 5 Other income" in the "Consolidated financial statements" section of this report for more information**

› **Refer to "Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses" in the "Consolidated financial statements" section of this report for more information about the sale of our remaining investment in Clearstream Fund Centre AG and the sale of our domestic wealth management business in Austria**

## Credit loss expense / release

Total net credit loss releases were USD 148 million, compared with net credit loss expenses of USD 694 million in the prior year, reflecting net releases of USD 123 million related to stage 1 and 2 positions and net releases of USD 25 million related to credit-impaired (stage 3) positions.

› **Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about credit loss expenses / releases**

› **Refer to the "Risk factors" section of this report for more information**

### Credit loss (expense) / release

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | 28 | 62 | 0 | 34 | 0 | 123 |
| Stage 3 | 1 | 24 | (1) | 0 | 0 | 25 |
| Total credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | (48) | (129) | 0 | (88) | 0 | (266) |
| Stage 3 | (40) | (128) | (2) | (217) | (42) | (429) |
| Total credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (694) |
| For the year ended 31.12.19 | | | | | | |
| Stages 1 and 2 | 3 | 23 | 0 | (4) | 0 | 22 |
| Stage 3 | (23) | (44) | 0 | (26) | (7) | (100) |
| Total credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |

## Operating expenses

Operating expenses increased by USD 1,823 million, or 8%, to USD 26,058 million.

### Personnel expenses

Personnel expenses increased by USD 1,163 million to USD 18,387 million, including net restructuring expenses of USD 200 million, compared with USD 106 million in the prior year. Total restructuring expenses in 2021 are net of curtailment gains of USD 80 million, which represent a reduction in the defined benefit obligation (DBO) related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Financial advisor compensation increased by USD 769 million to USD 4,860 million, due to an increase in compensable revenues.

Salary costs increased by USD 316 million to USD 7,339 million, mainly driven by foreign currency translation effects and higher restructuring expenses.

Social security expenses increased by USD 79 million to USD 978 million, broadly in line with higher salary expenses.

› **Refer to the "Compensation" section of this report for more information**

› **Refer to "Note 6 Personnel expenses," "Note 27 Post-employment benefit plans" and "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information**

### General and administrative expenses

General and administrative expenses increased by USD 668 million to USD 5,553 million, mainly driven by a USD 740 million (EUR 650 million) increase in litigation provisions for the French cross-border matter and USD 106 million higher IT expenses. These effects were partly offset by lower consulting fees and outsourcing costs.

Net expenses for the UK and German bank levies were USD 58 million in 2021 and included a USD 16 million credit related to prior years. In 2020, net expenses for the UK and German bank levies were USD 55 million and included a USD 27 million credit related to prior years.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future, and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

› **Refer to "Note 7 General and administrative expenses" and "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information**

### Depreciation, amortization and impairment

Depreciation, amortization and impairment of non-financial assets decreased by USD 8 million to USD 2,118 million, mainly driven by lower impairment expenses on internally generated software, a decrease in depreciation expenses related to leased properties and lower amortization of intangible assets, partly offset by higher depreciation expenses on internally generated software.

› **Refer to "Note 12 Property, equipment and software" and "Note 13 Goodwill and intangible assets" in the "Consolidated financial statements" section of this report for more information**

### Operating expenses

| | For the year ended | | | % change from |
|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.20 |
| Personnel expenses | 18,387 | 17,224 | 16,084 | 7 |
| *of which: salaries* | *7,339* | *7,023* | *6,518* | *4* |
| *of which: variable compensation* | *3,419* | *3,429* | *3,001* | *0* |
| *of which: relating to current year*[1] | *2,979* | *2,634* | *2,352* | *13* |
| *of which: relating to prior years*[2] | *440* | *795*[5] | *650* | *(45)* |
| *of which: financial advisor compensation*[3] | *4,860* | *4,091* | *4,043* | *19* |
| *of which: other personnel expenses*[4] | *2,768* | *2,680*[5] | *2,521* | *3* |
| General and administrative expenses | 5,553 | 4,885 | 5,288 | 14 |
| *of which: net expenses for litigation, regulatory and similar matters* | *911* | *197* | *165* | *363* |
| *of which: other general and administrative expenses* | *4,642* | *4,688* | *5,122* | *(1)* |
| Depreciation, amortization and impairment of non-financial assets | 2,118 | 2,126 | 1,940 | 0 |
| Total operating expenses | 26,058 | 24,235 | 23,312 | 8 |

1 Includes expenses relating to performance awards and other variable compensation for the respective performance year. 2 Consists of amortization of prior years' awards relating to performance awards and other variable compensation. 3 Financial advisor compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 4 Consists of expenses related to contractors, social security, post-employment benefit plans, and other personnel expenses. Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information. 5 During 2020, UBS modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 280 million, of which USD 240 million is disclosed within Variable compensation and USD 40 million within Other personnel expenses in this table.

## Tax

Income tax expenses of USD 1,998 million were recognized for the Group in 2021, representing an effective tax rate of 21.1%, compared with USD 1,583 million for 2020, which represented an effective tax rate of 19.4%. The income tax expenses for 2021 included Swiss tax expenses of USD 714 million and non-Swiss tax expenses of USD 1,284 million.

The Swiss tax expenses included current tax expenses of USD 680 million related to taxable profits of UBS Switzerland AG and other Swiss entities. They also included deferred tax expenses of USD 34 million, which reflect movements in temporary differences.

The non-Swiss tax expenses included current tax expenses of USD 884 million related to taxable profits earned by non-Swiss subsidiaries and branches and net deferred tax expenses of USD 400 million. Expenses of USD 734 million, which primarily related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., were partly offset by a benefit of USD 334 million in respect of the remeasurement of DTAs. This benefit included upward revaluations of DTAs of USD 152 million for certain entities, primarily in connection with our business planning process. It also included USD 113 million in respect of additional DTA recognition that primarily related to the contribution of real estate assets by UBS AG to UBS Americas Inc. and UBS Financial Services Inc., which allowed the full recognition of DTAs in respect of the associated historic real estate costs that were previously capitalized for US tax purposes under elections that were made in the fourth quarter of 2018. In addition, it included USD 69 million in respect of an increase in the expected value of future tax deductions for deferred compensation awards, due to an increase in the Group's share price during the year.

The pre-tax expense that was recognized in the year in respect of the increase in litigation provisions for the French cross-border matter did not result in any tax benefit.

Excluding any potential effects from the remeasurement of DTAs in connection with next year's business planning process and any potential US corporate tax rate changes or other material jurisdictional statutory tax rate changes that could be enacted during the year, we expect a tax rate for 2022 of around 24%.

› **Refer to "Note 8 Income taxes" in the "Consolidated financial statements" section of this report for more information**
› **Refer to the "Risk factors" section of this report for more information**

## Total comprehensive income attributable to shareholders

In 2021, total comprehensive income attributable to shareholders was USD 5,106 million, reflecting net profit of USD 7,457 million and negative other comprehensive income (OCI), net of tax, of USD 2,351 million.

OCI related to cash flow hedges was negative USD 1,675 million, mainly reflecting net gains on hedging instruments that were reclassified from OCI to the income statement as the hedged forecast cash flows affected profit or loss.

Foreign currency translation OCI was negative USD 535 million, mainly due to the weakening of the euro (7%), the Swiss franc (3%) and the Japanese yen (10%) against the US dollar.

OCI associated with financial assets measured at fair value through OCI was negative USD 157 million, primarily reflecting net unrealized losses of USD 203 million following increases in the relevant US dollar long-term interest rates.

OCI related to cost of hedging was negative USD 26 million, mainly driven by a tightening of the US dollar / euro cross-currency basis that decreased the fair value of the cross-currency swaps.

Defined benefit plan OCI, net of tax, was negative USD 5 million. Total net pre-tax OCI related to the Swiss pension plan was negative USD 336 million. This was mainly driven by an extraordinary employer contribution of USD 254 million that increased the gross plan assets and a pension plan curtailment of USD 80 million that reduced the DBO against profit or loss. These effects led to an offsetting OCI loss, as no net pension asset could be recognized on the balance sheet as of 31 December 2021 due to the asset ceiling. As announced in 2018, UBS agreed to mitigate the effects from changes to the Swiss pension plan implemented in 2019 by contributing up to CHF 720 million (USD 790 million at the closing exchange rate as of 31 December 2021) in three installments in 2020, 2021 and 2022. The extraordinary contribution of USD 254 million in the first quarter of 2021 reflected the second installment paid (first installment in the first quarter of 2020: USD 235 million).

Total pre-tax OCI related to our non-Swiss pension plans was positive USD 339 million, mainly driven by the UK pension plan, which recorded positive net pre-tax OCI of USD 207 million. The positive OCI in the UK plan reflected gains of USD 277 million due to a positive return on plan assets, partly offset by losses of USD 71 million from remeasurement of the DBO. The DBO remeasurement effect was mainly driven by a loss of USD 316 million due to an increase in the applicable inflation rate and a USD 59 million experience loss representing the effects of differences between the previous actuarial assumptions and what actually occurred, partly offset by a USD 319 million gain due to an increase in the applicable discount rate.

OCI related to own credit on financial liabilities designated at fair value was positive USD 46 million, primarily reflecting effects from time decay.

› **Refer to "Statement of comprehensive income" in the "Consolidated financial statements" section of this report for more information**
› **Refer to "Note 21 Fair value measurement" in the "Consolidated financial statements" section of this report for more information about own credit on financial liabilities designated at fair value**
› **Refer to "Note 26 Hedge accounting" in the "Consolidated financial statements" section of this report for more information about cash flow hedges of forecast transactions**
› **Refer to "Note 27 Post-employment benefit plans" in the "Consolidated financial statements" section of this report for more information about OCI related to defined benefit plans**

## Sensitivity to interest rate movements

As of 31 December 2021, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately USD 1.8 billion in Global Wealth Management and Personal & Corporate Banking in the first year after such a shift. Of this increase, approximately USD 1.2 billion and USD 0.2 billion would result from changes in US dollar and Swiss franc interest rates, respectively. A parallel shift in yield curves by −100 basis points could lead to a combined decrease in annual net interest income of approximately USD 0.8 billion in Global Wealth Management and Personal & Corporate Banking in the first year after such a shift, predominantly driven by positions denominated in US dollars.

These estimates are based on a hypothetical scenario of an immediate change in interest rates, equal across all currencies and relative to implied forward rates as of 31 December 2021 applied to our banking book. These estimates further assume no change to balance sheet size and structure, constant foreign exchange rates and no specific management action.

## Seasonal characteristics

Our revenues may show seasonal patterns, notably in the Investment Bank and transaction-based revenues for Global Wealth Management, and typically reflect the highest client activity levels in the first quarter, with lower levels throughout the rest of the year, especially during the summer months and the end-of-year holiday season.

## Key figures

Below we provide an overview of selected key figures of the Group. For further information about key figures related to capital management, refer to the "Capital, liquidity and funding, and balance sheet" section of this report.

### Cost / income ratio

The cost / income ratio was 73.6%, compared with 73.3%, reflecting higher operating expenses, with a partly offsetting effect driven by an increase in operating income. The cost / income ratio is measured based on income before credit loss expenses or releases.

### Common equity tier 1 capital

Common equity tier 1 (CET1) capital increased by USD 5.4 billion to USD 45.3 billion, mainly as a result of operating profit before tax of USD 9.5 billion, a USD 0.5 billion increase in eligible deferred tax assets on temporary differences, a USD 0.4 billion decrease in deduction of goodwill resulting from the sale of our remaining minority investment in Clearstream Fund Centre AG (previously Fondcenter AG) and an increase of USD 0.2 billion related to the launch of our new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. These effects were partly offset by dividend accruals of USD 1.7 billion, current tax expenses of USD 1.6 billion, share repurchases under our share repurchase program of USD 0.6 billion, negative foreign currency effects of USD 0.6 billion, compensation- and own share-related capital components of USD 0.4 billion, and negative effects from defined benefit plans of USD 0.2 billion.

Our share repurchases in 2021 decreased CET1 capital by USD 0.6 billion, reflecting shares repurchased under our share repurchase programs of USD 2.6 billion, partly offset by the use of the capital reserve for potential share repurchases of USD 2.0 billion. The capital reserve for potential share repurchases was fully utilized during 2021.

### Return on CET1 capital

Our return on CET1 capital (RoCET1) was 17.5%, compared with 17.4%, reflecting a USD 900 million increase in net profit attributable to shareholders, with a partly offsetting effect driven by USD 5.0 billion higher average CET1 capital.

### Risk-weighted assets

Risk-weighted assets (RWA) increased by USD 13.1 billion to USD 302.2 billion, primarily driven by increases of USD 12.0 billion in credit and counterparty credit risk RWA, USD 1.0 billion in operational risk RWA and USD 0.9 billion in non-counterparty-related risk. These increases were partly offset by a decrease of USD 0.8 billion in market risk RWA.

### Common equity tier 1 capital ratio

Our CET1 capital ratio increased 1.2 percentage points to 15.0%, reflecting a USD 5.4 billion increase in CET1 capital that was partly offset by the aforementioned increase in RWA.

### Leverage ratio denominator

The leverage ratio denominator (the LRD) increased by USD 32 billion (excluding the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by the Swiss Financial Market Supervisory Authority (FINMA)) to USD 1,069 billion, driven by asset size and other movements of USD 54 billion, partly offset by a decrease due to currency effects of USD 23 billion.

### Common equity tier 1 leverage ratio

Our CET1 leverage ratio increased to 4.24% from 3.85% (excluding the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA), as the aforementioned USD 5.4 billion increase in CET1 capital was partly offset by the aforementioned increase in the LRD.

### Going concern leverage ratio

Our going concern leverage ratio increased to 5.7% from 5.4% (excluding the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA), as the USD 4.3 billion increase in our going concern capital was partly offset by the aforementioned increase in the LRD.

### Personnel

The number of personnel employed as of 31 December 2021 was broadly stable at 71,385 (full-time equivalents), a net decrease of 166 compared with 31 December 2020.

## Return on equity and CET1 capital

| | As of or for the year ended | | |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Net profit** | | | |
| Net profit attributable to shareholders | 7,457 | 6,557 | 4,304 |
| **Equity** | | | |
| Equity attributable to shareholders | 60,662 | 59,445 | 54,501 |
| Less: goodwill and intangible assets | 6,378 | 6,480 | 6,469 |
| Tangible equity attributable to shareholders | 54,283 | 52,965 | 48,032 |
| Less: other CET1 deductions | 9,003 | 13,075 | 12,497 |
| CET1 capital | 45,281 | 39,890 | 35,535 |
| **Return on equity** | | | |
| Return on equity (%) | 12.6 | 11.3 | 7.9 |
| Return on tangible equity (%) | 14.1 | 12.8 | 9.0 |
| Return on common equity tier 1 capital (%) | 17.5 | 17.4 | 12.4 |

# Global Wealth Management

### Global Wealth Management[1]

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Net interest income | 4,244 | 4,027 | 5 |
| Recurring net fee income[2] | 11,170 | 9,372 | 19 |
| Transaction-based income[2] | 3,836 | 3,576 | 7 |
| Other income | 168 | 159 | 5 |
| Income | 19,419 | 17,134 | 13 |
| Credit loss (expense) / release | 29 | (88) | |
| Total operating income | 19,449 | 17,045 | 14 |
| Total operating expenses | 14,665 | 13,026 | 13 |
| Business division operating profit / (loss) before tax | 4,783 | 4,019 | 19 |
| **Performance measures and other information** | | | |
| Financial advisor variable compensation[3,4] | 4,382 | 3,589 | 22 |
| Compensation commitments with recruited financial advisors[3,5] | 479 | 502 | (5) |
| Pre-tax profit growth (year-on-year, %)[2] | 19.0 | 18.3 | |
| Cost / income ratio (%)[2] | 75.5 | 76.0 | |
| Average attributed equity (USD billion)[6] | 18.8 | 17.1 | 10 |
| Return on attributed equity (%)[2,6] | 25.4 | 23.6 | |
| Risk-weighted assets (USD billion)[6] | 99.8 | 87.2 | 15 |
| Leverage ratio denominator (USD billion)[6,7] | 399.6 | 371.2 | 8 |
| Goodwill and intangible assets (USD billion) | 5.0 | 5.1 | (1) |
| Net new fee-generating assets (USD billion)[2] | 106.9 | 40.8 | |
| Fee-generating assets (USD billion)[2] | 1,482 | 1,277 | 16 |
| Fee-generating asset margin (bps)[2] | 82.6 | 86.2 | |
| Net new money (USD billion)[2] | 111.1 | 43.3 | |
| Invested assets (USD billion)[2] | 3,303 | 3,016 | 10 |
| Loans, gross (USD billion)[8] | 234.1 | 213.1 | 10 |
| Customer deposits (USD billion)[8] | 369.8 | 348.0 | 6 |
| Recruitment loans to financial advisors[3] | 1,830 | 1,872 | (2) |
| Other loans to financial advisors[3] | 623 | 697 | (11) |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,9] | 0.2 | 0.4 | |
| Advisors (full-time equivalents) | 9,329 | 9,575 | (3) |

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. 4 Financial advisor variable compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, new assets and other variables. 5 Compensation commitments with recruited financial advisors represent expenses related to compensation commitments granted to financial advisors at the time of recruitment that are subject to vesting requirements. 6 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 7 The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 8 Loans and Customer deposits in this table include customer brokerage receivables and payables, respectively, which are presented in a separate reporting line on the balance sheet. 9 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures. Excludes loans to financial advisors.

## 2021 compared with 2020

### Results

Profit before tax increased by USD 764 million, or 19%, to USD 4,783 million, driven by higher operating income, partly offset by higher operating expenses, which included a USD 657 million increase in litigation provisions for the French cross-border matter.

#### Operating income

Total operating income increased by USD 2,404 million, or 14%, to USD 19,449 million, driven by increases across all operating income lines.

Net interest income increased by USD 217 million to USD 4,244 million, mostly reflecting growth in loan revenues from higher volumes and margins, partly offset by lower deposit revenues, mainly due to lower US dollar interest rates and despite higher deposit volumes.

Recurring net fee income increased by USD 1,798 million to USD 11,170 million, primarily driven by higher average fee-generating assets, reflecting positive market performance and net new fee-generating assets.

Transaction-based income increased by USD 260 million to USD 3,836 million, reflecting higher levels of client activity in the Americas, EMEA and Switzerland.

Other income increased by USD 9 million to USD 168 million, primarily driven by a gain of USD 100 million related to the sale of our domestic wealth management business in Austria to LGT. 2020 included a gain of USD 60 million from the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG).

Net credit loss releases were USD 29 million, compared with net expenses of USD 88 million. Stage 1 and 2 credit loss releases were USD 28 million, largely resulting from a partial release of a post-model adjustment of USD 12 million during the year, as well as model updates. Stage 3 net credit loss releases were USD 1 million.

#### Operating expenses

Total operating expenses increased by USD 1,639 million to USD 14,665 million. This was mainly driven by an increase in financial advisor variable compensation, reflecting higher compensable revenues, and by the aforementioned USD 657 million increase in litigation provisions for the French cross-border matter.

#### Pre-tax profit growth

Pre-tax profit growth in 2021 was 19.0%, compared with 18.3% in 2020. Our target range is 10–15% over the cycle.

#### Cost / income ratio

The cost / income ratio decreased to 75.5% from 76.0%, reflecting positive operating leverage.

#### Fee-generating assets

Fee-generating assets increased by USD 205 billion, or 16%, to USD 1,482 billion, predominantly driven by net new fee-generating assets of USD 106.9 billion, with inflows across all regions, and net positive market performance and foreign currency effects of USD 98.0 billion.

#### Loans

Loans increased by USD 21.0 billion, or 10%, to USD 234.1 billion, primarily driven by net new loans of USD 25.1 billion, partly offset by USD 3.0 billion from negative foreign exchange effects and USD 1.1 billion from the reclassification of loans to disposal groups held for sale in connection with the upcoming sales of our domestic wealth management business in Spain and UBS Swiss Financial Advisers AG. Net new loans were largely driven by an increase in Lombard loans and mortgages. Loan penetration was stable at 7.1% in 2021.

› **Refer to the "Risk management and control" section of this report for more information**

**Regional breakdown of performance measures**

| *As of or for the year ended 31.12.21*<br>*USD billion, except where indicated* | Americas[1] | Switzerland | EMEA[2] | Asia Pacific | Global Wealth Management[3] |
|---|---|---|---|---|---|
| Total operating income (USD million) | 10,672 | 1,906 | 3,953 | 2,901 | 19,449 |
| Total operating expenses (USD million) | 8,671 | 1,156 | 3,141 | 1,664 | 14,665 |
| Operating profit / (loss) before tax (USD million) | 2,001 | 750 | 812 | 1,237 | 4,783 |
| Cost / income ratio (%)[4] | 81.4 | 60.8 | 79.6 | 57.4 | 75.5 |
| Loans, gross | 92.0[5] | 43.2 | 49.6 | 48.6 | 234.1 |
| Net new loans | 19.6 | 2.3 | 3.8 | (0.5) | 25.1 |
| Loan penetration (%)[4,6] | 5.0 | 15.3 | 7.6 | 9.3 | 7.1 |
| Fee-generating assets[4] | 900 | 130 | 334 | 116 | 1,482 |
| Net new fee-generating assets[4] | 64.3 | 10.6 | 18.8 | 13.7 | 106.9 |
| Invested assets[4] | 1,842 | 283 | 654 | 521 | 3,303 |
| Net new money[4] | 60.3 | 0.7 | 24.5 | 26.4 | 111.1 |
| Advisors (full-time equivalents) | 6,218 | 685 | 1,494 | 852 | 9,329 |

1 Including the following business units: United States and Canada; and Latin America. 2 Including the following business units: Europe; Central & Eastern Europe, Greece and Israel; and Middle East and Africa. 3 Including minor functions, which are not included in the four regions individually presented in this table, with USD 16 million of total operating income, USD 34 million of total operating expenses, USD 17 million of operating loss before tax, USD 0.6 billion of loans, USD 0.0 billion of net new loan outflows, USD 1 billion of fee-generating assets, USD 0.5 billion of net new fee-generating asset outflows, USD 3 billion of invested assets, USD 0.8 billion of net new money outflows and 80 advisors in 2021. 4 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 5 Loans include customer brokerage receivables, which are presented in a separate reporting line on the balance sheet. 6 Loans, gross as a percentage of invested assets.

## Regional comments: 2021 compared with 2020

### Americas

Profit before tax increased by USD 641 million to USD 2,001 million. Operating income increased by USD 1,645 million to USD 10,672 million, driven by higher recurring net fee, net interest and transaction-based income. The cost / income ratio decreased to 81.4% from 84.4%. Loans increased 27% to USD 92 billion, reflecting USD 19.6 billion of net new loans. Fee-generating assets increased 19% to USD 900 billion, mainly driven by positive market performance and net new fee-generating assets of USD 64.3 billion.

### Switzerland

Profit before tax increased by USD 108 million to USD 750 million. This included an USD 85 million increase in litigation provisions for the French cross-border matter. Operating income increased by USD 206 million to USD 1,906 million, mainly driven by higher recurring net fee, net interest and transaction-based income. The cost / income ratio decreased to 60.8% from 61.7%. Loans increased 3% to USD 43 billion, driven by net new loans of USD 2.3 billion, partly offset by negative foreign currency effects. Fee-generating assets increased 17% to USD 130 billion, mainly driven by net new fee-generating assets of USD 10.6 billion and net positive market performance and foreign currency effects.

### EMEA

Profit before tax decreased by USD 145 million to USD 812 million, driven by a USD 572 million increase in litigation provisions for the French cross-border matter. Operating income increased by USD 397 million to USD 3,953 million, due to higher recurring net fee income and other income, which was driven by the aforementioned gain from the sale of our domestic wealth management business in Austria, as well as higher transaction-based income. The cost / income ratio increased to 79.6% from 72.7%. Loans increased 3% to USD 50 billion, mainly reflecting USD 3.8 billion of net new loans, partly offset by negative foreign currency effects and the aforementioned reclassification of USD 0.7 billion of loans to disposal groups held for sale. Fee-generating assets increased 9% to USD 334 billion, mainly driven by net new fee-generating assets of USD 18.8 billion and net positive market performance and foreign currency effects.

### Asia Pacific

Profit before tax increased by USD 176 million to USD 1,237 million. Operating income increased by USD 166 million to USD 2,901 million, mostly driven by recurring net fee and net interest income. The cost / income ratio decreased to 57.4% from 61.2%. Loans decreased 2% to USD 49 billion, driven by negative foreign currency effects and net new loan outflows of USD 0.5 billion, as clients reduced their debts in light of market uncertainty. Fee-generating assets increased 13% to USD 116 billion, mainly driven by net new fee-generating assets of USD 13.7 billion.

# Personal & Corporate Banking

**Personal & Corporate Banking – in Swiss francs[1]**

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *CHF million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Net interest income | 1,941 | 1,916 | 1 |
| Recurring net fee income[2] | 774 | 676 | 15 |
| Transaction-based income[2] | 1,079 | 985 | 10 |
| Other income | 110 | 74 | 49 |
| Income | 3,904 | 3,650 | 7 |
| Credit loss (expense) / release | 79 | (243) | |
| Total operating income | 3,984 | 3,407 | 17 |
| Total operating expenses | 2,397 | 2,233 | 7 |
| Business division operating profit / (loss) before tax | 1,587 | 1,175 | 35 |
| **Performance measures and other information** | | | |
| Average attributed equity (CHF billion)[3] | 8.4 | 8.3 | 1 |
| Return on attributed equity (%)[2,3] | 19.0 | 14.1 | |
| Pre-tax profit growth (%) (year-on-year, %)[2] | 35.1 | (18.0) | |
| Cost / income ratio (%)[2] | 61.4 | 61.2 | |
| Net interest margin (bps)[2] | 140 | 142 | |
| Risk-weighted assets (CHF billion)[3] | 66.7 | 63.8 | 4 |
| Leverage ratio denominator (CHF billion)[3,4] | 221.7 | 219.9 | 1 |
| Business volume for Personal Banking (CHF billion)[2] | 184 | 179 | 3 |
| Net new business volume for Personal Banking (CHF billion)[2] | 5.3 | 11.6 | |
| Net new business volume growth for Personal Banking (%)[2] | 3.0 | 6.9 | |
| Active Digital Banking clients in Personal Banking (%)[2,5] | 70.3 | 66.1 | |
| Active Digital Banking clients in Corporate & Institutional Clients (%)[2] | 79.3 | 77.9 | |
| Mobile Banking log-in share in Personal Banking (%)[2] | 73.5 | 68.0 | |
| Client assets (CHF billion)[2] | 751 | 702 | 7 |
| Loans, gross (CHF billion) | 139.3 | 136.4 | 2 |
| Customer deposits (CHF billion) | 162.1 | 161.1 | 1 |
| Secured loan portfolio as a percentage of total loan portfolio, gross (%)[2] | 92.7 | 92.9 | |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,6] | 0.9 | 1.1 | |

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 4 The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 5 In 2021, 86.4% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). 6 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

## 2021 compared with 2020

### Results

Profit before tax increased by CHF 412 million, or 35%, to CHF 1,587 million, reflecting higher operating income, partly offset by higher operating expenses.

#### Operating income

Total operating income increased by CHF 577 million, or 17%, to CHF 3,984 million, reflecting net credit loss releases, compared with net credit loss expenses in the prior year, as well as increases across all income lines.

Net interest income increased by CHF 25 million to CHF 1,941 million, mainly driven by proactive deposit management.

Recurring net fee income increased by CHF 98 million to CHF 774 million, primarily driven by higher custody, mandate and investment fund fees, resulting from an increase in average custody assets, reflecting net new investment product inflows and positive market performance.

Transaction-based income increased by CHF 94 million to CHF 1,079 million, largely driven by higher revenues from credit card and foreign exchange transactions, reflecting a continued increase in spending on travel and leisure by clients following the easing of COVID-19-related restrictions in certain countries relative to 2020. The third quarter of 2020 included a CHF 17 million gain related to the sale of an equity investment.

Other income increased by CHF 36 million to CHF 110 million, mostly driven by a gain of CHF 26 million from the sale of several small properties in the second quarter of 2021.

Net credit loss releases were CHF 79 million, compared with net expenses of CHF 243 million. Stage 1 and 2 credit loss releases were CHF 57 million, largely resulting from a partial release of a post-model adjustment during the year, as well as model updates. Prior-year stage 1 and 2 net credit loss expenses were CHF 123 million, which mainly reflected expenses for selected exposures to large Swiss corporate clients, small and medium-sized entities, financial intermediaries, and, to a lesser extent, real estate. These modeled expected losses were predominantly driven by the update to the forward-looking scenarios and their associated weightings, factoring in updated macroeconomic assumptions to reflect the effects of the COVID-19 pandemic. Stage 3 net releases were CHF 23 million, compared with net expenses of CHF 120 million, which included expenses of CHF 54 million related to a case of fraud at a commodity trade finance counterparty.

#### Operating expenses

Total operating expenses increased by CHF 164 million, or 7%, to CHF 2,397 million, mostly driven by a CHF 76 million (USD 83 million) increase in litigation provisions for the French cross-border matter, as well as higher investments in technology and higher variable compensation.

#### Cost / income ratio

The cost / income ratio slightly increased to 61.4% from 61.2%, reflecting higher operating expenses, partly offset by higher income.

**Personal & Corporate Banking – in US dollars[1]**

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Net interest income | 2,120 | 2,049 | 3 |
| Recurring net fee income[2] | 846 | 725 | 17 |
| Transaction-based income[2] | 1,178 | 1,054 | 12 |
| Other income | 119 | 79 | 50 |
| Income | 4,263 | 3,908 | 9 |
| Credit loss (expense) / release | 86 | (257) | |
| Total operating income | 4,349 | 3,651 | 19 |
| Total operating expenses | 2,618 | 2,392 | 9 |
| Business division operating profit / (loss) before tax | 1,731 | 1,259 | 37 |
| **Performance measures and other information** | | | |
| Average attributed equity (USD billion)[3] | 9.2 | 8.9 | 3 |
| Return on attributed equity (%)[2,3] | 18.9 | 14.2 | |
| Pre-tax profit growth (%) (year-on-year, %)[2] | 37.5 | (12.6) | |
| Cost / income ratio (%)[2] | 61.4 | 61.2 | |
| Net interest margin (bps)[2] | 142 | 143 | |
| Risk-weighted assets (USD billion)[3] | 73.2 | 72.1 | 1 |
| Leverage ratio denominator (USD billion)[3,4] | 243.2 | 248.3 | (2) |
| Business volume for Personal Banking (USD billion)[2] | 202 | 202 | 0 |
| Net new business volume for Personal Banking (USD billion)[2] | 5.8 | 12.3 | |
| Net new business volume growth for Personal Banking (%)[2] | 2.9 | 7.1 | |
| Active Digital Banking clients in Personal Banking (%)[2,5] | 70.3 | 66.1 | |
| Active Digital Banking clients in Corporate & Institutional Clients (%)[2] | 79.3 | 77.9 | |
| Mobile Banking log-in share in Personal Banking (%)[2] | 73.5 | 68.0 | |
| Client assets (USD billion)[2] | 824 | 793 | 4 |
| Loans, gross (USD billion) | 152.8 | 154.0 | (1) |
| Customer deposits (USD billion) | 177.8 | 181.9 | (2) |
| Secured loan portfolio as a percentage of total loan portfolio, gross (%)[2] | 92.7 | 92.9 | |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,6] | 0.9 | 1.1 | |

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 4 The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 5 In 2021, 86.4% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). 6 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

# Asset Management

## Asset Management[1]

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Net management fees[2] | 2,320 | 1,950 | 19 |
| Performance fees | 260 | 455 | (43) |
| Net gain from disposal of an associate / a subsidiary | 37 | 571 | (93) |
| Credit loss (expense) / release | (1) | (2) | |
| Total operating income | 2,616 | 2,974 | (12) |
| Total operating expenses | 1,586 | 1,519 | 4 |
| Business division operating profit / (loss) before tax | 1,030 | 1,455 | (29) |
| **Performance measures and other information** | | | |
| Average attributed equity (USD billion)[3] | 2.0 | 2.0 | 1 |
| Return on attributed equity (%)[3,4] | 51.8 | 74.2 | |
| Pre-tax profit growth (year-on-year, %)[4] | (29.2) | 173.6 | |
| Cost / income ratio (%)[4] | 60.6 | 51.0 | |
| Risk-weighted assets (USD billion)[3] | 6.9 | 6.9 | (1) |
| Leverage ratio denominator (USD billion)[3,5] | 2.9 | 5.8 | (51) |
| Goodwill and intangible assets (USD billion) | 1.2 | 1.2 | (2) |
| Net margin on invested assets (bps)[4] | 9 | 16 | (42) |
| Gross margin on invested assets (bps)[4] | 23 | 32 | (29) |
| **Information by business line / asset class** | | | |
| Net new money (USD billion)[4] | | | |
| Equities | 10.3 | 65.1 | |
| Fixed Income | 22.7 | 7.3 | |
| *of which: money market* | *(3.1)* | *(7.4)* | |
| Multi-asset & Solutions | 6.8 | 6.6 | |
| Hedge Fund Businesses | 5.7 | (1.1) | |
| Real Estate & Private Markets | (0.6) | 2.3 | |
| Total net new money | 44.9 | 80.1 | |
| *of which: net new money excluding money market* | *48.0* | *87.5* | |
| Invested assets (USD billion)[4] | | | |
| Equities | 580 | 506 | 15 |
| Fixed Income | 285 | 274 | 4 |
| *of which: money market* | *92* | *97* | *(5)* |
| Multi-asset & Solutions | 193 | 172 | 12 |
| Hedge Fund Businesses | 55 | 48 | 15 |
| Real Estate & Private Markets | 98 | 93 | 5 |
| Total invested assets | 1,211 | 1,092 | 11 |
| *of which: passive strategies* | *540* | *457* | *18* |
| **Information by region** | | | |
| Invested assets (USD billion)[4] | | | |
| Americas | 287 | 254 | 13 |
| Asia Pacific | 190 | 181 | 5 |
| Europe, Middle East and Africa (excluding Switzerland) | 334 | 294 | 14 |
| Switzerland | 399 | 363 | 10 |
| Total invested assets | 1,211 | 1,092 | 11 |
| **Information by channel** | | | |
| Invested assets (USD billion)[4] | | | |
| Third-party institutional | 707 | 648 | 9 |
| Third-party wholesale | 145 | 128 | 13 |
| UBS's wealth management businesses | 359 | 316 | 13 |
| Total invested assets | 1,211 | 1,092 | 11 |

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), distribution fees, incremental fund-related expenses, gains or losses from seed money and co-investments, funding costs, the negative pass-through impact of third-party performance fees, and other items that are not Asset Management's performance fees. 3 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 4 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 5 The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

## 2021 compared with 2020

### Results

Profit before tax decreased by USD 425 million, or 29%, to USD 1,030 million. This reflected a gain of USD 571 million from the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG) in the third quarter of 2020 and a gain of USD 37 million related to the sale of our remaining minority investment in Clearstream Fund Centre AG (previously Fondcenter AG) to Deutsche Börse AG in the second quarter of 2021. Excluding these gains, profit before tax increased by USD 109 million, or 12%, to USD 993 million, reflecting positive operating leverage.

› **Refer to "Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses" in the "Consolidated financial statements" section of this report for more information about the aforementioned sales**

#### Operating income

Total operating income decreased by USD 358 million, or 12%, to USD 2,616 million. Excluding the aforementioned gains from sales, total operating income increased by USD 176 million, or 7%.

Net management fees increased by USD 370 million, or 19%, to USD 2,320 million on a higher average invested asset base, reflecting a combination of a constructive market backdrop and strong net new money generation.

Performance fees decreased by USD 195 million to USD 260 million, mainly in our Hedge Fund Businesses and our Equities business, compared with the particularly high levels of performance fees in 2020.

#### Operating expenses

Total operating expenses increased by USD 67 million, or 4%, to USD 1,586 million, mainly driven by higher personnel expenses and foreign currency effects, partly offset by lower general and administrative expenses.

#### Cost / income ratio

The cost / income ratio was 60.6%, compared with 51.0% in 2020. Excluding the aforementioned gains from sales, the cost / income ratio was 61.5%, compared with 63.2% in 2020.

#### Invested assets

Invested assets increased to USD 1,211 billion from USD 1,092 billion, reflecting positive market performance of USD 102 billion and net new money inflows of USD 45 billion, partly offset by negative foreign currency effects of USD 28 billion. Excluding money market flows, net new money was USD 48 billion.

### Investment performance

2021 saw risk assets perform strongly and subdued market volatility. Expansive monetary policy supported a continued, broad economic recovery across the globe. Shortages in supplies to meet heightened global demand led to higher energy prices and strong inflation over the year, and central banks, led by the US Federal Reserve, started to reconsider their future monetary policy.

As of year-end 2021, Morningstar assigned a four- or five-star rating to 64% of our retail and institutional funds (both actively managed and passive), on an assets under management (AuM)-weighted basis. Furthermore, 55% of our actively managed open-ended retail funds and actively managed institutional AuM (which account in total for 44% of our relevant AuM) are ranked, on an AuM-weighted basis over a three-year investment period, above their respective peer median.

**Investment performance as of 31 December 2021**

| *In %* | Total traditional investments | Equities | Fixed income | Multi-asset |
|---|---|---|---|---|
| % of UBS Asset Management fund assets rated as 4- or 5-star[1,2] | 64 | 66 | 65 | 49 |
| % of UBS Asset Management above peer median over a 3-year investment period[2,3] | 55 | 48 | 61 | 65 |

1 Percentage of AuM to which Morningstar has assigned a four- or five-star rating. AuM reflect the AuM of Asset Management's retail and institutional funds (both actively managed and passive) across all domiciles for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Source: Morningstar (Morningstar® Essentials Quantitative Star Rating & Rankings; © 2022 Morningstar). Universe is approximately 31% of all active and passive traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2021. 2 Morningstar® Essentials Quantitative Star Rating & Rankings; © 2022 Morningstar. All Rights Reserved. The information contained herein: (i) is proprietary to Morningstar and / or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more detailed information about the Morningstar Rating, including its methodology, refer to: https://s21.q4cdn.com/198919461/files/doc_downloads/othe_disclosure_materials/MorningstarRatingforFunds.pdf. 3 Percentage of AuM above peer median over a three-year investment period. AuM reflect the AuM of Asset Management's actively managed open-ended retail funds across all domiciles and actively managed institutional AuM for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Source: Morningstar (Morningstar® Essentials Quantitative Star Rating & Rankings; © 2022 Morningstar) extract date 11 January 2022, eVestment extract date 4 February 2022, KGAST extract date 4 February 2022. Universe is approximately 44% of all active traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2021.

# Investment Bank

**Investment Bank[1]**

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Advisory | 988 | 634 | 56 |
| Capital Markets | 2,170 | 1,744 | 24 |
| Global Banking | 3,158 | 2,378 | 33 |
| Execution Services[2] | 1,894 | 1,857 | 2 |
| Derivatives & Solutions | 3,422 | 3,609 | (5) |
| Financing | 979 | 1,674 | (42) |
| Global Markets | 6,296 | 7,141 | (12) |
| *of which: Equities* | *4,581* | *4,502* | *2* |
| *of which: Foreign Exchange, Rates and Credit* | *1,715* | *2,638* | *(35)* |
| Income | 9,454 | 9,519 | (1) |
| Credit loss (expense) / release | 34 | (305) | |
| Total operating income | 9,488 | 9,214 | 3 |
| Total operating expenses | 6,858 | 6,732 | 2 |
| Business division operating profit / (loss) before tax | 2,630 | 2,482 | 6 |
| **Performance measures and other information** | | | |
| Pre-tax profit growth (year-on-year, %)[3] | 5.9 | 216.6 | |
| Average attributed equity (USD billion)[4] | 13.0 | 12.6 | 3 |
| Return on attributed equity (%)[3,4] | 20.3 | 19.7 | |
| Cost / income ratio (%)[3] | 72.5 | 70.7 | |
| Risk-weighted assets (USD billion)[4] | 92.2 | 94.3 | (2) |
| Return on risk-weighted assets, gross (%)[3] | 10.0 | 10.0 | |
| Leverage ratio denominator (USD billion)[4,5] | 319.2 | 315.5 | 1 |
| Return on leverage ratio denominator, gross (%)[3,5] | 2.9 | 3.1 | |
| Goodwill and intangible assets (USD billion) | 0.1 | 0.2 | (14) |
| Average VaR (1-day, 95% confidence, 5 years of historical data) | 11 | 12 | (9) |

1 Comparative figures in this table may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Execution & Platform, which was disclosed in previous periods, has been renamed Execution Services. 3 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 4 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 5 The leverage ratio denominators calculated as of the respective dates in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

## 2021 compared with 2020

### Results

Profit before tax increased by USD 148 million, or 6%, to USD 2,630 million, driven by higher operating income, partly offset by higher operating expenses.

#### Operating income

Total operating income increased by USD 274 million, or 3%, to USD 9,488 million, reflecting higher revenues in Global Banking and net credit loss releases compared with net credit loss expenses in 2020, partly offset by lower revenues in Global Markets.

*Global Banking*

Global Banking revenues increased by USD 780 million, or 33%, to USD 3,158 million, driven by Capital Markets and Advisory revenues, and compared with an overall global fee pool increase of 39%.

Advisory revenues increased by USD 354 million, or 56%, to USD 988 million, largely due to higher revenues from an increased number of merger and acquisition transactions that closed in 2021, and compared with a 64% increase in the global fee pool.

Capital Markets revenues increased by USD 426 million, or 24%, to USD 2,170 million, mainly reflecting a USD 358 million, or 52%, increase in Equity Capital Markets (ECM) revenues, compared with an increase in the global ECM fee pool of 34%.

*Global Markets*

Global Markets revenues decreased by USD 845 million, or 12%, to USD 6,296 million, driven by lower revenues in our Financing and Derivatives & Solutions businesses, partly offset by higher revenues in Execution Services.

Execution Services revenues increased by USD 37 million, or 2%, to USD 1,894 million. Revenue increases in cash equities were partly offset by decreases from other products.

Derivatives & Solutions revenues decreased by USD 187 million, or 5%, to USD 3,422 million, mainly due to the third quarter of 2020 including a USD 215 million gain from the sale of intellectual property rights associated with the Bloomberg Commodity Index family. Excluding that gain, revenues increased by USD 28 million, or 1%.

Financing revenues decreased by USD 695 million, or 42%, to USD 979 million, predominantly due to an USD 861 million loss incurred in the first half of 2021 on the default of a US-based client of our prime brokerage business. Excluding that loss, revenues increased by USD 166 million, or 10%.

› **Refer to "Note 21 Fair value measurement" in the "Consolidated financial statements" section of this report for more information about the loss in the prime brokerage business**

Global Markets Equities revenues increased by USD 79 million, or 2%, to USD 4,581 million. Equity derivatives and cash equities products revenues increased, while Financing revenues included the aforementioned loss in our prime brokerage business.

Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 923 million, or 35%, to USD 1,715 million, compared with strong revenues in 2020.

#### Credit loss expense / release

Net credit loss releases were USD 34 million, primarily related to stage 1 and 2 positions, resulting from model updates, as well as a partial net release of a post-model adjustment during the year. Prior-year net credit loss expenses were USD 305 million, driven by the effects of the COVID-19 pandemic.

#### Operating expenses

Total operating expenses increased by USD 126 million, or 2%, to USD 6,858 million, largely driven by foreign currency effects.

#### Cost / income ratio

The cost / income ratio increased to 72.5% from 70.7%, as income decreased by 1% compared with a strong prior year, and operating expenses increased by 2%.

#### Risk-weighted assets

Risk-weighted assets (RWA) decreased by USD 2 billion, or 2%, to USD 92 billion, primarily due to a USD 3 billion decrease in operational risk RWA and a USD 1 billion decrease in market risk RWA, partly offset by a USD 2 billion increase in credit risk RWA due to higher loans and loan commitments.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information**

#### Leverage ratio denominator

The leverage ratio denominator increased by USD 4 billion, or 1%, to USD 319 billion, mainly reflecting a USD 9 billion increase in on-balance sheet exposures, partly offset by a USD 4 billion decrease in derivative and securities financing transaction exposures.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information**

# Group Functions

**Group Functions[1]**

| | As of or for the year ended | | % change from |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.20 |
| **Results** | | | |
| Total operating income | (360) | (494) | (27) |
| Total operating expenses | 330 | 567 | (42) |
| Operating profit / (loss) before tax | (689) | (1,060) | (35) |
| *of which: Group Treasury* | *(446)* | *(341)* | *31* |
| *of which: Non-core and Legacy Portfolio* | *(79)* | *(269)* | *(71)* |
| *of which: Group Services* | *(165)* | *(450)* | *(63)* |
| **Additional information** | | | |
| Risk-weighted assets (USD billion)[2] | 30.1 | 28.7 | 5 |
| Leverage ratio denominator (USD billion)[2,3] | 104.0 | 96.2 | 8 |

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 3 The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

## 2021 compared with 2020

### Results

Group Functions recorded a loss before tax of USD 689 million, compared with a loss of USD 1,060 million.

#### Group Treasury

The Group Treasury result was negative USD 446 million, compared with negative USD 341 million.

Income from accounting asymmetries, including hedge accounting ineffectiveness, was net negative USD 341 million, compared with net positive of USD 6 million.

Revenues related to centralized Group Treasury risk management services were negative USD 63 million, compared with negative USD 279 million. The increased expense in 2020 was driven by additional liquidity costs related to COVID-19 market stress in the first half of that year.

Operating expenses decreased by USD 30 million to USD 42 million.

#### Non-core and Legacy Portfolio

The Non-core and Legacy Portfolio result was negative USD 79 million, compared with negative USD 269 million. This result was partly due to valuation gains of USD 58 million on our USD 1.6 billion portfolio of auction rate securities (ARS), compared with valuation losses of USD 9 million in 2020. Our remaining exposures to ARS were all rated investment grade as of 31 December 2021. In addition, 2021 included income of USD 51 million related to a legacy bankruptcy claim, while 2020 included a credit loss expense of USD 42 million on an energy-related exposure.

#### Group Services

The Group Services result was negative USD 165 million, compared with negative USD 450 million. There were lower expenses relating to our legal entity transformation program and decreased funding costs on deferred tax assets. Also, 2020 included real estate costs of USD 72 million related to early lease terminations and associated provisions, an impairment of internally generated software of USD 67 million, and expenses of USD 54 million related to the modification of certain outstanding deferred compensation awards.

› **Refer to the "Group performance" section and "Note 1b Changes in accounting policies, comparability and other adjustments" in the "Consolidated financial statements" section of this report for more information about the modification of deferred compensation awards**

# Selected financial information of our business divisions and Group Functions

**Performance of our business divisions and Group Functions[1]**

| | For the year ended 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Group Functions | Total |
| Operating income | 19,449 | 4,349 | 2,616 | 9,488 | (360) | 35,542 |
| *of which: gain from the sale of UBS's domestic wealth management business in Austria* | *100* | | | | | *100* |
| Operating expenses | 14,665 | 2,618 | 1,586 | 6,858 | 330 | 26,058 |
| *of which: net restructuring expenses[2]* | *87* | *17* | *17* | *74* | *21* | *216* |
| Operating profit / (loss) before tax | 4,783 | 1,731 | 1,030 | 2,630 | (689) | 9,484 |

| | For the year ended 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Group Functions | Total |
| Operating income | 17,045 | 3,651 | 2,974 | 9,214 | (494) | 32,390 |
| *of which: net gain from the sale of a majority stake in Fondcenter AG* | *60* | | *571* | | | *631* |
| *of which: gain on the sale of intellectual property rights* | | | | *215* | | *215* |
| *of which: net gains from properties sold or held for sale* | | | | | *64* | *64* |
| *of which: valuation gain on auction rate securities in the fourth quarter of 2020[3]* | | | | | *134* | *134* |
| *of which: gain related to investment in associates* | *6* | *19* | | | | *26* |
| *of which: gain on the sale of equity investment measured at fair value through profit or loss* | *4* | *18* | | | | *22* |
| Operating expenses | 13,026 | 2,392 | 1,519 | 6,732 | 567 | 24,235 |
| *of which: acceleration of expenses in relation to outstanding deferred compensation awards in the third quarter of 2020[4]* | *46* | *3* | *22* | *229* | *58* | *359* |
| *of which: expenses associated with terminated real estate leases* | | | | | *72* | *72* |
| *of which: impairment of internally generated software[5]* | | | | | *67* | *67* |
| *of which: net restructuring expenses* | *72* | *5* | *6* | *24* | *0* | *107* |
| Operating profit / (loss) before tax | 4,019 | 1,259 | 1,455 | 2,482 | (1,060) | 8,155 |

| | For the year ended 31.12.19 | | | | | |
|---|---|---|---|---|---|---|
| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Group Functions | Total |
| Operating income | 16,353 | 3,715 | 1,938 | 7,269 | (385) | 28,889 |
| *of which: net foreign currency translation losses[6]* | | | | | *(35)* | *(35)* |
| *of which: net losses from properties held for sale* | | | | | *(29)* | *(29)* |
| Operating expenses | 12,955 | 2,274 | 1,406 | 6,485 | 192 | 23,312 |
| *of which: impairment of goodwill* | | | | *110* | | *110* |
| *of which: net restructuring expenses* | *68* | *17* | *33* | *168* | *(2)* | *284* |
| Operating profit / (loss) before tax | 3,397 | 1,441 | 532 | 784 | (577) | 5,577 |

1 The components of operating income and operating expenses disclosed in this table are items that are not recurring or necessarily representative of the underlying business performance for the reporting period specified. 2 Includes curtailment gains of USD 80 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities. 3 Reflects a valuation gain recognized in the fourth quarter of 2020 as a result of a recovery in underlying market conditions, following a change in valuation methodology. This gain was more than offset by valuation losses recognized earlier in the year. 4 Reflects the accelerated expense recognized in the third quarter of 2020 when the conditions for continued vesting of certain outstanding deferred compensation awards were modified. This amount includes approximately USD 80 million of accelerated expense that would otherwise have been recognized in the fourth quarter of 2020. The full year effect was an expense of approximately USD 280 million (Global Wealth Management: USD 30 million, Asset Management: USD 10 million, Investment Bank: USD 180 million, Group Functions: USD 60 million). 5 Relates to impairment of internally generated software resulting from a decision in the fourth quarter of 2020 to not proceed with an internal business transfer from UBS Switzerland AG to UBS AG. 6 Relates to the disposal or closure of foreign operations.

# Risk, capital, liquidity and funding, and balance sheet

Management report

3

## Audited information according to IFRS 7 and IAS 1

Risk and capital disclosures provided in line with the requirements of International Financial Reporting Standard 7 (IFRS 7), *Financial Instruments: Disclosures,* and International Accounting Standard 1 (IAS 1), *Presentation of Financial Statements,* form part of the financial statements included in the "Consolidated financial statements" section of this report and audited by the independent registered public accounting firm Ernst & Young Ltd, Basel. This information is marked as "Audited" within this section of the report. The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated. Audited information provided in the "Risk management and control" and "Capital, liquidity and funding, and balance sheet" sections applies to both UBS Group AG consolidated and UBS AG consolidated.

### Signposts

The Audited | signpost that is displayed at the beginning of a section, table or chart indicates that those items have been audited. A triangle symbol – ▲ – indicates the end of the audited section, table or chart.

# Risk management and control

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# Risk management and control

## Overview of risks arising from our business activities

The scale of our activities depends on the capital available to cover risks, the size of our on- and off-balance sheet assets via their contribution to our capital, leverage and liquidity ratios, and our risk appetite.

Despite our credit book growing over the course of 2021, our overall credit risk profile was broadly unchanged, and we continued to manage market risks at generally low levels.

Operational resilience, conduct and the prevention of financial crime remain key focus topics.

### Key risks by business division and Group Functions

| Business divisions and Group Functions | Key risks arising from business activities |
|---|---|
| **Global Wealth Management** | **Credit risk** from lending against securities collateral, including derivative trading activity, and lending against residential and commercial real estate collateral, as well as corporate and other lending<br>**Market risk** from municipal securities and taxable fixed-income securities |
| **Personal & Corporate Banking** | **Credit risk** from retail business, mortgages, secured and unsecured corporate lending, commodity trade finance, lending to banks and other regulated clients, as well as a small amount of derivatives trading activity<br>Minimal contribution to **market risk** |
| **Asset Management** | Small amounts of credit and market risk for on-balance sheet items |
| **Investment Bank** | **Credit risk** from lending (take-and-hold, as well as temporary loan underwriting activities), derivatives trading and securities financing<br>**Market risk** from primary underwriting activities and secondary trading |
| **Group Functions** | **Credit** and **market risk** arising from management of the Group's balance sheet, capital, profit or loss and liquidity portfolios |
| **Non-financial risks,** which include operational, financial crime, compliance, conduct, model, and reputational risks, are an inevitable consequence of being in business and can arise as a result of our past and current business activities across all business divisions and Group Functions. | |

# Risk categories

We categorize the risk exposures of our business divisions and Group Functions as outlined in the table below. Our risk appetite framework is designed to capture all risk categories.

› **Refer to "Risk appetite framework" in this section for more information**

| | Risk managed by | Independent oversight by |
|---|---|---|
| Financial risks | | |
| Audited \| **Credit risk:** the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations toward UBS. This includes settlement risk, loan underwriting risk and step-in risk.<br>***Settlement risk:*** the risk of loss resulting from transactions that involve exchange of value (e.g., security versus cash) where we must deliver without first being able to determine with certainty that we will receive the countervalue.<br>***Loan underwriting risk:*** the risk of loss arising during the holding period of financing transactions that are intended for further distribution.<br>***Step-in risk:*** the risk that UBS may decide to provide financial support to an unconsolidated entity that is facing stress in the absence of, or in excess of, any contractual obligations to provide such support. ▲ | Business management | Risk Control |
| Audited \| **Market risk** (traded and non-traded): the risk of loss resulting from adverse movements in market variables. Market variables include observable variables, such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity (including precious metal) prices, as well as variables that may be unobservable or only indirectly observable, such as volatilities and correlations. Market risk includes issuer risk and investment risk.<br>***Issuer risk:*** the risk of loss from changes in fair value resulting from credit-related events affecting an issuer to which we are exposed through tradable securities or derivatives referencing the issuer.<br>***Investment risk:*** issuer risk associated with positions held as financial investments. ▲ | Business management and Group Treasury | Risk Control |
| **Country risk:** the risk of losses resulting from country-specific events. Includes transfer risk, which involves a country's authorities preventing or restricting the payment of an obligation, as well as systemic risk events arising from country-specific political or macroeconomic developments. | Business management | Risk Control |
| **Sustainability and climate risk** (previously known at UBS as environmental and social risk): the risk that UBS is negatively impacted by or negatively impacts climate change, loss of biodiversity, human rights infringements, or other environmental, social or governance (ESG) matters. Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Sustainability and climate risks may manifest as credit, market, liquidity and operational risks for UBS, resulting in potential adverse financial, liability and reputation impacts. They may also negatively impact the value of investments. | Business management | Risk Control |
| **Treasury risk:** the market risks that arise from structural exposures, including pension risks, and the risk of insufficient funding or liquidity.<br>Audited \| ***Liquidity risk:*** the risk that the firm will not be able to efficiently meet both expected and unexpected current and forecast cash flows and collateral needs without affecting either daily operations or the financial condition of the firm. ▲<br>Audited \| ***Funding risk:*** the risk that the firm will be unable, on an ongoing basis, to borrow funds in the market on an unsecured (or even secured) basis at an acceptable price to fund actual or proposed commitments; i.e., the risk that UBS's funding capacity is not sufficient to support the firm's current business and desired strategy. ▲<br>***Structural foreign exchange risk:*** the risk of decreases in our capital due to changes in foreign exchange rates with an adverse translation effect on capital held in currencies other than the US dollar. | Group Treasury | Risk Control |
| ***Pension risk:*** the risk of a negative impact on our capital as a result of deteriorating funded status from decreases in the fair value of assets held in defined benefit pension funds and / or changes in the value of defined benefit pension obligations due to changes in actuarial assumptions (e.g., discount rate, life expectancy, rate of pension increase, etc.) and / or changes to plan designs. | Group Treasury and Human Resources | Risk Control and Finance |
| **Business risk:** the potential negative impact on earnings from lower-than-expected business volumes and / or margins, to the extent they are not offset by a decrease in expenses. | Business management | Finance and Risk Control |

| | Risk managed by | Independent oversight by |
|---|---|---|
| Non-financial risks | | |
| **Operational risk:** the risk resulting from inadequate or failed internal processes, people or systems, or from external causes (deliberate, accidental or natural), that have an impact (either financial or non-financial) on UBS, its clients or the markets in which it operates. Events may be direct financial losses or indirect, in the form of revenue forgone as a result of business suspension. They may also result in damage to our reputation and to our franchise that has longer-term financial consequences. | Business management | Group Compliance, Regulatory & Governance (GCRG) |
| ***Legal risk:*** the financial or reputational implications resulting from the risk of: (i) being held liable for a breach of applicable laws, rules or regulations; (ii) being held liable for a breach of contractual or other legal obligations; (iii) an inability or failure to enforce or protect contractual rights or non-contractual rights sufficiently to protect UBS's interests, including the risk of being party to a claim in respect of any of the above (and the risk of loss of attorney–client privilege in the context of any such claim); (iv) a failure to adequately develop, supervise and resource legal teams or adequately supervise external legal counsel advising on business legal risk and other matters; and (v) a failure to adequately manage any potential, threatened and commenced litigation and legal proceedings, including civil, criminal, arbitration and regulatory proceedings, and / or litigation risk or any dispute or investigation that may lead to litigation or threat of any litigation. | | Legal |
| ***Employment risk:*** the risk incurred by the firm by not adhering to the applicable employment law, regulatory requirements and human resources practices, as well as our own internal standards. Such risk is managed by business management, with independent overview by Human Resources. | | Human Resources |
| ***Cybersecurity and information security risk:*** the risk of a malicious internal or external act leading to a material impact on confidentiality, integrity or availability of UBS data or information systems. Cyberattacks are manifestations of a cyber threat into an act of aggression or criminal activity causing financial, regulatory or reputational harm or loss. | Business management and Chief Digital and Information Office (CDIO) | GCRG |
| **Conduct risk:** the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers. | Business management | GCRG |
| **Compliance risk:** the risk incurred by the firm by not adhering to the applicable laws, rules and regulations, and our own internal standards. | Business management | GCRG |
| **Financial crime risk:** the risk that UBS fails to detect criminal activities, including internal and external theft and fraud, money laundering, bribery and corruption, and fails to comply with sanctions and embargoes, or fails to report or respond to requests from relevant authorities related to these matters. | Business management, Financial Crime Prevention (FCP), and GCRG COO | GCRG |
| **Model risk:** the risk of adverse consequences via financial loss or non-financial impact (e.g., poor business and / or strategic decision making, or damage to the firm's reputation) resulting from decisions based on incorrect or misused model outputs and reports. Model risk may result from a number of sources: inputs, methodology, implementation or use. | Model owner | Risk Control |
| **Reputational risk:** the risk of damage to our reputation from the point of view of our stakeholders, such as clients, shareholders and staff, and the general public. | All businesses and functions | All control functions |

# Top and emerging risks

The top and emerging risks disclosed below reflect those that we currently think have the potential to materialize within one year and which could significantly affect the Group. Investors should also carefully review all information set out in the "Risk factors" section of this report, where we discuss these and other material risks that we consider could have an effect on our ability to execute our strategy and may affect our business activities, financial condition, results of operations and business prospects.

- The COVID-19 pandemic, and its impact on growth, employment, debt dynamics and supply chains, remains an important driver of risk, and we expect this to be the case for at least the near future. The Omicron variant continues to spread, and there is uncertainty about when restrictions introduced in many countries will be eased.
- There continue to be concerns regarding a resurgence in global inflation, and the timing and extent of central bank policy responses (i.e., interest rate hikes and the tapering of quantitative easing) will be an area of focus in the coming months. There are related concerns about increasing energy and other commodity prices in a number of countries, while mounting global supply chain stresses and tight labor markets are creating negative pressure on growth. China is facing several challenges, including a slowing economy following the post-pandemic boom.
- We remain watchful of a range of geopolitical developments in Europe and Asia and political changes in a number of countries. Our current focus is on the Russian invasion of Ukraine. Our current direct exposure to Russia, Ukraine and Belarus is limited, as is our exposure to peripheral European countries. However, market closures, the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. In addition, we have significant country risk exposure to major economies, which could also be affected, including the US, China, Switzerland, Germany, the UK and France.
- We are exposed to a number of macroeconomic issues, as well as general market conditions. As noted in "Market, credit and macroeconomic risks" in the "Risk factors" section of this report, these external pressures may have a significant adverse effect on our business activities and related financial results, primarily through reduced margins and revenues, asset impairments and other valuation adjustments. Accordingly, these macroeconomic factors are considered in the development of stress testing scenarios for our ongoing risk management activities.
- We are exposed to substantial changes in the regulation of our businesses that could have a material adverse effect on our business, as discussed in the "Regulatory and legal developments" section of this report and in "Regulatory and legal risks" in the "Risk factors" section of this report.
- As a global financial services firm, we are subject to many different legal, tax and regulatory regimes and extensive regulatory oversight. We are exposed to significant liability risk, and we are subject to various claims, disputes, legal proceedings and government investigations, as noted in "Regulatory and legal risks" in the "Risk factors" section of this report. Information about litigation, regulatory and similar matters we consider significant is disclosed in "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report.
- Cyber threats continue to evolve at pace, not least due to the Russian invasion of Ukraine, and can impact the industry, as well as critical infrastructure which it relies on. More recently, ransomware attacks with a possible widespread impact have increased significantly. Additionally, as a result of the operational complexity of all our businesses, we are continually exposed to operational resilience scenarios such as process error, failed execution, system failures and fraud.
- Conduct risks are inherent in our businesses. Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to UBS. Management of conduct risks is an integral part of our risk management framework.
- Financial crime – including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption – presents significant risk. Heightened regulatory expectations and attention require investment in people and systems, while emerging technologies and changing geopolitical risks further increase the complexity of identifying and preventing financial crime. Refer to "Non-financial risk" in this section and "Strategy, management and operational risks" in the "Risk factors" section of this report for more information.
- Environmental, social and governance (ESG) risks are a growing area of focus for regulators and other stakeholders, in particular climate risks and concerns about greenwashing, where UBS may be subject to reputational risk if not fully aligned with the stated purpose of the firm. New standards and rules are developing in several jurisdictions with the risk of divergent rules increasing and leading to an increased risk that UBS may not comply with all relevant regulations. Refer to "Non-financial risk" in this section.

# Risk governance

Our risk governance framework operates along three lines of defense.

Our first line of defense, business management, owns its risk exposures and is accountable for maintaining effective processes and systems to manage its risks in compliance with applicable laws, external regulations and internal requirements, including identifying control weaknesses and inadequate processes.

Our second line of defense, control functions, is separate from the business and reports directly to the Group CEO. Control functions provide independent oversight, challenge financial and non-financial risks arising from the firm's business activities, and establish independent frameworks for risk assessment, measurement, aggregation and reporting, protecting against non-compliance with applicable laws and regulations.

Our third line of defense, Group Internal Audit, reports to the Chairman and to the Audit Committee. This function assesses the design and operating effectiveness and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance requirements.

The key roles and responsibilities for risk management and control are shown in the chart below and described on the following pages.

Audited | **Risk governance**

Board of Directors

| Risk Committee | Audit Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Compensation Committee |
|---|---|---|---|---|

Group Internal Audit (third line of defense)

Group Executive Board (acting as risk council)

Group Chief Executive Officer

Risk and asset and liability committees

| **First line of defense (business and Group Functions management)** | **Second line of defense (Group Functions – control functions)** | | | | |
|---|---|---|---|---|---|
| | **Group Risk Control** | **Group Compliance, Regulatory & Governance (GCRG)** | **Group Finance** | **Group General Counsel** | **Group Human Resources** |
| Divisional, regional, legal entity Presidents<br>Group function heads | Group Chief Risk Officer | Group Chief Compliance and Governance Officer | Group Chief Financial Officer | Group General Counsel | Head Human Resources |
| Group Functions | Market and Treasury CRO | | | | |
| Group Treasury* / Non-core and Legacy Portfolio | Central Risk functions | Central GCRG functions | Central Finance functions | Central Legal functions | HR functions |
| Divisional Presidents | Divisional CROs | Divisional heads Compliance & Operational Risk Control (C&ORC) | Divisional CFOs | Divisional General Counsels | HR Business Partners (by business division) |
| Regional / legal entity Presidents | Regional / legal entity CROs | Regional / legal entity heads C&ORC | Regional / legal entity CFOs | Regional / legal entity General Counsels | HR regions |

* Part of Group Finance

Audited | *The Board of Directors* (the BoD) approves the risk management and control framework of the Group, including the Group and business division overall risk appetite. The BoD is supported by its Risk Committee, which monitors and oversees the Group's risk profile and the implementation of the risk framework approved by the BoD, and approves the Group's risk appetite methodology. The Corporate Culture and Responsibility Committee (the CCRC) helps the BoD meet its duty to safeguard and advance UBS's reputation for responsible and sustainable conduct, reviewing stakeholder concerns and expectations pertaining to UBS's societal contribution and corporate culture. The Audit Committee assists the BoD with its oversight duty relating to financial reporting and internal controls over financial reporting, and the effectiveness of whistleblowing procedures and the external and internal audit functions.

The *Group Executive Board* (the GEB) has overall responsibility for establishing and implementing a risk management and control framework in the Group, managing the risk profile of the Group as a whole.

The *Group Chief Executive Officer* has responsibility and accountability for the management and performance of the Group, has risk authority over transactions, positions and exposures, and allocates business divisions and Group Functions risk limits approved by the BoD.

The *business division Presidents* and *Group function heads* are responsible for the operation and management of their business divisions, including controlling the dedicated financial resources and risk appetite of the business division.

The *regional Presidents* are responsible for cross-divisional collaboration in their regions and are mandated to inform the GEB about any activities / issues that may give rise to actual or potentially material regulatory or reputational concerns.

The *Group Chief Risk Officer* (the Group CRO) is responsible for developing the Group's risk management and control framework (including risk principles and risk appetite) for credit, market, country, treasury, model and sustainability and climate risks. This includes risk measurement and aggregation, portfolio controls and risk reporting. The Group CRO sets risk limits and approves credit and market risk transactions and exposures. Risk Control is also the central function for model risk management and control for all models used in UBS. A framework of policies and authorities support the risk control process.

The *Group Chief Compliance and Governance Officer* is responsible for developing the Group's operational risk framework, which sets the general requirements for identification, management, assessment and mitigation of operational risk, and for ensuring that all non-financial risks are identified, owned and managed according to the operational risk appetite objectives, supported by an effective control framework.

The *Group Chief Financial Officer* is responsible for transparency in assessing the financial performance of the Group and the business divisions, and for managing the Group's financial accounting, controlling, forecasting, planning and reporting. Additional responsibilities include managing UBS's tax affairs, as well as treasury and capital management, including funding and liquidity risk and UBS's regulatory capital ratios.

The *Group General Counsel* is responsible for managing the Group's legal affairs (including litigation involving UBS), ensuring effective and timely assessment of legal matters impacting the Group or its businesses, and managing and reporting all litigation matters.

The *Head of Human Resources* is responsible for independent oversight and challenge of employment-related risks.

*Group Internal Audit* (GIA) independently assesses the effectiveness of processes to define strategy and risk appetite and overall adherence to the approved strategy. It also assesses the effectiveness of governance processes and risk management, including compliance with legal and regulatory requirements and internal governance documents. The Head GIA reports to the Chairman of the BoD. GIA also has a functional reporting line to the BoD Audit Committee.

Some of these roles and responsibilities are replicated for certain significant legal entities of the Group. The *legal entity risk officers* are responsible for independent oversight and control of financial and non-financial risks for certain significant legal entities of the Group as part of the legal entity control framework, which complements the Group's risk management and control framework. ▲

# Risk appetite framework

**We have a defined Group-level risk appetite, covering all financial and non-financial risk types, via a complementary set of qualitative and quantitative risk appetite statements. This is reviewed and recalibrated annually and presented to the BoD for approval.**

Our risk appetite is defined at the aggregate Group level and reflects the types of risk that we are willing to accept or avoid. It is set via complementary qualitative and quantitative risk appetite statements defined at a firm-wide level and is embedded throughout our business divisions and legal entities by Group, business division and legal entity policies, limits and authorities. We are subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA) and related ordinances, which impose, among other requirements, minimum standards for capital, liquidity, risk concentration and internal organization. Our risk appetite is reviewed and recalibrated annually, with the aim of ensuring that risk-taking at every level of the organization is in line with our strategic priorities, our capital and liquidity plans, our *Pillars, Principles and Behaviors*, and minimum regulatory requirements. The "Risk appetite framework" chart below shows the key elements of the framework, described in detail in this section.

Qualitative risk appetite statements aim to ensure we maintain the desired risk culture. Quantitative risk appetite objectives are designed to enhance UBS's resilience against the effects of potential severe adverse economic or geopolitical events. These risk appetite objectives cover UBS's minimum capital and leverage ratios, solvency, earnings, liquidity, and funding, and are subject to periodic review, including the yearly business planning process.

These objectives are complemented by operational risk appetite objectives, which are set for each of our non-financial risk categories, including market conduct, theft, fraud, data confidentiality and technology risks. A standardized financial firm-wide operational risk appetite has been established at Group level and is embedded throughout our business divisions. Operational risk events exceeding predetermined risk tolerances, expressed as percentages of UBS's operating income, must be escalated as per the firm-wide escalation framework to the respective business division President or higher, as appropriate.

The quantitative risk appetite objectives are supported by a comprehensive suite of risk limits set at a portfolio level to monitor specific portfolios and to control potential risk concentrations.

The status of risk appetite objectives is evaluated each month and reported to the BoD and the GEB. As our risk appetite may change over time, portfolio limits and associated approval authorities are subject to periodic reviews and changes, particularly in the context of our annual business planning process.

Our risk appetite framework is governed by a single overarching policy and conforms to the Financial Stability Board's Principles for an Effective Risk Appetite Framework.

› **Refer to "Risk principles and risk culture" and "Quantitative risk appetite objectives" on the following pages for more information**

**Risk appetite framework**

Risk appetite framework

Risk appetite statements

| **Risk principles, governance, roles and responsibilities** | **Risk objectives, measures and controls** |
|---|---|
| – Risk management and control principles<br>– Code of Conduct and Ethics<br>– Total Reward Principles<br>– Organization regulations / policies<br>– Roles and responsibilities | – Group-wide risk appetite objectives<br>– Operational risk appetite objectives<br>– Risk measurement frameworks<br>– Authorities and limits |

Risk reporting and disclosure, including internal, regulatory and external reporting

## Risk principles and risk culture

Maintaining a strong risk culture is a prerequisite for success in today's highly complex operating environment and a source of sustainable competitive advantage. Placing prudent and disciplined risk-taking at the center of every decision has three principal goals: delivering unrivaled client satisfaction; creating long-term value for stakeholders; and making UBS one of the world's most attractive companies to work for.

Our risk appetite framework combines all the important elements of our risk culture, expressed in our *Pillars, Principles and Behaviors*, our risk management and control principles, our Code of Conduct and Ethics, and our Total Reward Principles. Together, these aim to align our decisions with the Group's strategy, principles and risk appetite. They help create a solid foundation for promoting risk awareness, leading to appropriate risk-taking and the establishing of robust risk management and control processes. These principles are supported by a range of initiatives covering employees at all levels, for example the *UBS House View on Leadership*, which is a set of explicit expectations for leaders that establishes consistent leadership standards across UBS. Another example is our Principles of Good Supervision, which establish clear expectations of managers and employees regarding supervisory responsibilities, specifically: to take responsibility; to know and organize their business; to know their employees and what they do; to create a good risk culture; and to respond to and resolve issues.

› **Refer to the foldout pages of this report for more information about our Pillars, Principles and Behaviors**

› **Refer to the Code of Conduct and Ethics of UBS at *ubs.com/code* for more information**

### Risk management and control principles

| | |
|---|---|
| **Protection of financial strength** | Protecting UBS's financial strength by controlling our risk exposure and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate firm-wide level across all risk types |
| **Protection of reputation** | Protecting our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles, particularly our Code of Conduct and Ethics |
| **Business management accountability** | Maintaining management accountability, whereby business management owns all risks assumed throughout the Group and is responsible for the continuous and active management of all risk exposures to provide for balanced risk and return |
| **Independent controls** | Independent control functions that monitor the effectiveness of the businesses' risk management and oversee risk-taking activities |
| **Risk disclosure** | Disclosure of risks to senior management, the BoD, investors, regulators, credit rating agencies and other stakeholders with an appropriate level of comprehensiveness and transparency |

Whistleblowing policies and procedures exist to support an environment where staff are comfortable raising concerns. There are multiple channels via which individuals may, either openly or anonymously, escalate suspected breaches of laws, regulations, rules and other legal requirements, our Code of Conduct and Ethics, policies, or relevant professional standards. Our program is designed to ensure that whistleblowing concerns are investigated and that appropriate and consistent action is taken. We are committed to ensuring appropriate training for and communication to staff and legal entity representatives are available on an ongoing basis, including with regard to new regulatory requirements.

Mandatory training programs cover various compliance and risk-related topics, including operational risk and anti-money laundering. Additional specialized training is provided depending on employees' specific roles and responsibilities, e.g., credit risk and market risk training for those working in trading areas. Failure to complete mandatory training sessions within an appropriate timeframe can lead to consequences, including disciplinary action. Our operational risk and conduct risk frameworks aim to identify and manage financial, regulatory and reputational risks, as well as risks to clients and markets.

## Quantitative risk appetite objectives

Our quantitative risk appetite objectives aim to ensure that our aggregate risk exposure remains within desired risk capacity, based on capital and business plans. The specific definition of risk capacity for each objective is aimed at ensuring we have sufficient capital, earnings, funding and liquidity to protect our businesses and exceed minimum regulatory requirements under a severe stress event. The risk appetite objectives are evaluated during the annual business planning process and approved by the BoD. The comparison of risk exposure with risk capacity is a key consideration in decisions on potential adjustments to the business strategy and risk profile of UBS and capital returns to shareholders.

The annual business planning process reviews UBS's business strategy, assesses the risk profile our operations and activities result in, and stress tests that risk profile. We use both scenario-based stress tests and statistical risk measurement techniques to assess effects of severe stress events at a firm-wide level. These complementary frameworks capture exposures to all material risks across our business divisions and Group Functions.

› **Refer to "Risk measurement" in this section for more information about our stress testing and statistical stress frameworks**

**2021 quantitative risk appetite objectives**

**Group-wide quantitative risk appetite objectives**

**Minimum capital objectives**
CET1 capital is sufficient to meet minimum RWA-based capital requirements even if a severe stress event were to occur.

**Minimum leverage ratio objectives**
CET1 capital is sufficient to meet minimum leverage ratio-based capital requirements even if a severe stress event were to occur.

**Solvency objectives**
CET1 capital plus contingent capital is sufficient to ensure that the probability of loss for the firm's debt holders is consistent with the firm's target credit rating.

**Earnings objectives**
Losses do not exceed average historic earnings even if a severe stress event were to occur.

**Liquidity objectives**
Ensure that the firm has sufficient liquidity, or access to funding sources, to survive a severe three-month idiosyncratic and market-wide liquidity stress event; allowing for discrete management actions instructed by the Group Treasurer in addition to monetizing the firm's liquidity reserves.

**Funding objectives**
Ensure that the firm has sufficient long-term funding to maintain franchise assets at a constant level under stressed market conditions for up to one year.

**Risk capacity**

**Projected earnings**
adjusted to reflect business risk

**Capital**
adjusted to reflect stress impact on capital-relevant elements

**Risk exposure**

**Statistical measures**
earnings-at-risk, capital-at-risk, risk-based capital

**Stress measures**
combined stress test

**Credit risk** | **Country risk** | **Liquidity and funding risk** | **Pension risk**

**Market risk** | **Non-financial risk** | **Structural foreign-exchange risk**

**Granular limit framework**

Our risk capacity is underpinned by performance targets and capital guidance as per our business plan. When determining our risk capacity in case of a severe stress event, we estimate projected earnings under stress, factoring in lower expected income and also lower expenses. We also consider capital impacts under stress from deferred tax assets, pension plan assets and liabilities, and accruals for capital returns to shareholders.

Risk appetite objectives define the aggregate risk exposure acceptable at the firm-wide level, given our risk capacity. The maximum acceptable risk exposure is supported by a full set of risk limits, triggers and targets, which are cascaded to businesses and portfolios. These limits, triggers and targets aim to ensure that our total risks remain in line with risk appetite.

Risk appetite statements at the business division level are derived from the firm-wide risk appetite. They may also include division-specific strategic goals related to that division's activities and risks. Risk appetite statements are also set for certain legal entities, which must be consistent with the firm-wide risk appetite framework and approved in accordance with Group and legal entity regulations. Differences may exist that reflect the specific nature, size, complexity and regulations applicable to the relevant legal entity.

# Internal risk reporting

Comprehensive and transparent reporting of risks is central to our risk governance framework's control and oversight responsibilities and required by our risk management and control principles. Accordingly, risks are reported at a frequency and level of detail commensurate with the extent and variability of the risk and the needs of the various governance bodies, regulators and risk authority holders.

The Group Risk Report provides a detailed qualitative and quantitative monthly overview of developments in financial and non-financial risks at the firm-wide level, along with breakdowns of risks at the divisional level, including the status of our risk appetite objectives and the results of firm-wide stress testing. The Group Risk Report is distributed internally to the BoD and the GEB, and senior members of Risk Control, GIA, Finance and Legal. Risk reports are also produced for significant Group entities (entities subject to enhanced standards of corporate governance) and significant branches.

Granular divisional risk reports are provided to the respective business division CROs and business division Presidents. This monthly reporting is supplemented with daily or weekly reports, at various levels of granularity, covering market and credit risks for the business divisions to enable risk officers and senior management to monitor and control the Group's risk profile.

Our internal risk reporting covers financial and non-financial risks and is supported by risk data and measurement systems that are also used for external disclosure and regulatory reporting. Dedicated units within Risk Control assume responsibility for measurement, analysis and reporting of risk and for overseeing the quality and integrity of risk-related data. Our risk data and measurement systems are subject to periodic review by GIA, following a risk-based audit approach.

# Model risk management

## Introduction

We rely on models to derive risk management and control decisions, to measure risks or exposures, value instruments or positions, conduct stress testing, assess adequacy of capital, and manage clients' assets and our own assets. Models may also be used to measure and monitor compliance with rules and regulations, for surveillance activities, or to meet financial or regulatory reporting requirements.

Model risk is defined as the risk of adverse consequences (e.g., financial losses or reputational damage) resulting from incorrect models.

## Model governance framework

Our model governance framework establishes requirements for identifying, measuring, monitoring, reporting, controlling and mitigating model risks. All the models that we use are subject to governance and controls throughout their life cycles. This is designed to ensure that risks arising from model use are identified, understood, managed, monitored, controlled and reported on both a model-specific and an aggregated level. Before they can be granted approval for use from the model sponsor, all our models are independently validated across four model risk dimensions: (i) model input; (ii) model methodology; (iii) model implementation; and (iv) model use.

Once validated and approved for use, a model is subject to ongoing model performance monitoring and annual model confirmation, ensuring that the model is only used if it continues to be found fit for purpose. All models are subject to periodic model re-validation, with rigor, depth and frequency determined by the model's materiality and complexity.

Our model risk governance framework follows our overarching risk governance framework, with the three lines of defense (LoD) assigned as follows.

- First LoD: model sponsors, model owners, model developers, and model users
- Second LoD: Chief Model Risk Officer, Model Risk Management & Control
- Third LoD: Group Internal Audit

An important difference as compared with how LoD are usually defined in financial and non-financial risk is that some models are owned by traditionally second LoD functions, such as risk control, finance or compliance.

## Model risk appetite framework and statement

The model risk appetite framework sets out the model risk appetite statement, defines the relevant metrics and lays out how appropriate adherence is assessed.

## Model oversight

Model oversight committees and forums ensure that model risk is overseen at different levels of the organization, appropriate model risk management and control actions are taken and, where necessary, escalated to the next level.

The Group Model Governance Committee is our most senior oversight and escalation body for all models in scope of our model governance framework. It is co-chaired by the Group CRO and the Group CFO and is responsible for: (i) reviewing and approving changes to the framework; (ii) approving the model risk appetite statement; (iii) overseeing adherence to the UBS model risk governance framework; and (iv) monitoring model risk at a firm-wide level.

# Risk measurement

Audited | We apply a variety of methodologies and measurements to quantify the risks of our portfolios and potential risk concentrations. Risks that are not fully reflected within standard measures are subject to additional controls, which may include preapproval of specific transactions and the application of specific restrictions. Models to quantify risk are generally developed by dedicated units within control functions and are subject to independent validation. ▲

› **Refer to "Credit risk," "Market risk" and "Non-financial risk" in this section for more information about model confirmation procedures**

## Stress testing

We perform stress testing to estimate losses that could result from extreme yet plausible macroeconomic and geopolitical stress events to identify, better understand and manage our potential vulnerabilities and risk concentrations. Stress testing has a key role in our limits framework at the firm-wide, business division, legal entity and portfolio levels. Stress test results are regularly reported to the BoD and the GEB. As described in "Risk appetite framework," stress testing, along with statistical loss measures, has a central role in our risk appetite and business planning processes.

Our stress testing framework has three pillars: (i) combined stress tests; (ii) an extensive set of portfolio- and risk type-specific stress tests; and (iii) reverse stress testing.

Our *combined stress testing* (CST) framework is scenario-based and aims to quantify overall firm-wide losses that could result from various potential global systemic events. The framework captures all material risks, as covered in "Risk categories." Scenarios are forward-looking and encompass macroeconomic and geopolitical stress events calibrated to different levels of severity. We implement each scenario through the expected evolution of market indicators and economic variables under that scenario and then estimate the overall loss and capital implications were the scenario to occur. At least once a year, the Risk Committee approves the most relevant scenario, known as the binding scenario, for use as the main scenario for regular CST reporting and for monitoring risk exposure against our minimum capital, earnings and leverage ratio objectives in our risk appetite framework.

We provide detailed stress loss analyses to FINMA and regulators of our legal entities in accordance with their requirements.

Our Enterprise-wide Stress Forum (the ESF) aims to ensure the consistency and adequacy of the assumptions and scenarios used for firm-wide stress measures. As part of its responsibilities, the ESF with input from the Think Tank, a panel of senior representatives from the business divisions, Risk Control and economic research, seeks to ensure that the set of stress scenarios adequately reflects current and potential developments in the macroeconomic and geopolitical environment, current and planned business activities, and actual or potential risk concentrations and vulnerabilities in our portfolios.

Each scenario captures a wide range of macroeconomic variables, including GDP, equity prices, interest rates, foreign exchange rates, commodity prices, property prices and unemployment. We use assumed changes in these macroeconomic and market variables in each scenario to stress the key risk drivers of our portfolios. For example, lower GDP growth and rising interest rates may reduce the income of clients we have lent money to, which changes the credit risk parameters for probability of default, loss given default and exposure at default, and results in higher predicted credit losses within the stress scenario. We also capture the business risk resulting from lower fee, interest and trading income net of lower expenses. These effects are measured for all businesses and material risk types to calculate the aggregate estimated effect of the scenario on profit or loss, other comprehensive income, RWA, LRD and, ultimately, capital and leverage ratios. The assumed changes in macroeconomic variables are updated periodically to account for changes in the current and possible future market environment.

In 2021, the binding scenario for CST was the internal *Global Crisis scenario*, which is characterized by a deterioration of global economic conditions leading to sovereign defaults in Europe and a global recession. The scenario was updated over the course of 2021 to incorporate current risks related to COVID-19, in particular macroeconomic assumptions, such as deteriorating GDP and rising unemployment. Continued weakness in economic data and tensions between European countries about debt mutualization undermines market confidence in the sustainability of peripheral debt, leading to a sharp spike in bond yields. Italy, Spain, Portugal and Cyprus receive bailout packages, on the condition of substantial debt restructuring, while Greece leaves the Eurozone. In addition to the effects of COVID-19, the macroeconomic impact is severe, as is the immediate market impact. Weak consumer and business confidence and a fall in global trade as a result of protectionism lead to a global recession. China is hit severely by trade protectionism and a confidence shock, which lead to a hard landing.

As part of the CST framework, we routinely monitored three additional stress scenarios throughout 2021:

– The *US Monetary Crisis scenario* explores a loss of confidence in the US, which leads to a sell-off of US dollar-denominated assets, sparking an abrupt and substantial depreciation of the US dollar. The US economy is hit hard, financial markets enter a period of high volatility and other industrialized countries replicate the cyclical pattern of the US. Regional inflation trends diverge as the US experiences significant inflationary pressures while other developed markets experience deflation.
– The *Severe Global Interest Rate Steepening* scenario explores a sharp and persistent rise in inflation leading to a significant rise in long-term interest rates and a period of market turbulence. Economic activity slows across the globe as both business and household sentiment collapse, while credit conditions deteriorate. Despite weakness in activity, inflation remains stubbornly high, forcing central banks to begin hiking their policy rates and thereby prolonging the weakness in economic activity and asset prices.
– The *Extreme Coronavirus* scenario explores a resurgence of COVID-19 and subsequent containment policies, which lead to a severe global downturn with long-term scarring impacts. The lack of adherence to containment measures leads to rapid resurgences in the number of cases and fatalities, which force countries to enforce increasingly stringent lockdown policies. Vaccines prove to be ineffective in the near term, due to either logistical constraints of vaccine distribution, vaccine hesitancy or virus variants undermining the efficacy of current vaccines.

We have updated the binding stress scenario in our CST framework for 2022. The updated Global Crisis scenario reflects the weaker fiscal conditions resulting from the COVID-19 pandemic, which leads to sovereign defaults in several emerging markets. The scenario continues to assume a Eurozone crisis and a hard landing in China.

*Portfolio-specific stress tests* are measures tailored to the risks of specific portfolios. Our portfolio stress loss measures are derived from data on past events, but also include forward-looking elements (e.g., we derive the expected market movements in our liquidity-adjusted stress metric using a combination of historical market behavior, based on an analysis of historical events, and forward-looking analysis, including consideration of defined scenarios not modeled on any historical events). Results of portfolio-specific stress tests may be subject to limits to explicitly control risk-taking or may be monitored without limits to identify vulnerabilities.

*Reverse stress testing* starts from a defined stress outcome (e.g., a specified loss amount, reputational damage, a liquidity shortfall or a breach of regulatory capital ratios) and works backward to identify economic or financial scenarios that could result in such an outcome. As such, reverse stress testing is intended to complement scenario-based stress tests by assuming "what if" outcomes that could extend beyond the range normally considered, and thereby potentially challenge assumptions regarding severity and plausibility.

We also routinely analyze the effect of increases or decreases in interest rates and changes in the structure of yield curves.

Within Group Treasury, we also perform stress testing to determine the optimum asset and liability structure, enabling us to maintain an appropriately balanced liquidity and funding position under various scenarios. These scenarios differ from those outlined above, because they focus on specific situations that could generate liquidity and funding stress, as opposed to the scenarios used in the CST framework, which focus on the effect on profit or loss and capital.

› **Refer to "Credit risk" and "Market risk" in this section for more information about stress loss measures**
› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about stress testing**

## Statistical measures

We complement the scenario-based CST measures with our statistical stress framework to calculate and aggregate risks using statistical techniques to derive stress events at chosen confidence levels.

This framework is used to derive a loss distribution, considering effects on both income and expenses, based on the simulation of historically observed financial and economic risk factors in combination with the firm's actual earnings and relevant risk exposures. From that, we determine earnings-at-risk (EaR), measuring the potential shortfall in earnings (i.e., the deviation from forecast earnings) at a 95% confidence level and evaluated over a one-year horizon. EaR is used for the assessment of the earnings objectives in our risk appetite framework.

We extend the EaR measure, incorporating the effects of gains and losses recognized through other comprehensive income, to derive a distribution of potential effects of stress events on common equity tier 1 capital. From this distribution, we derive our capital-at-risk (CaR) buffer measure at a 95% confidence level to assess our capital and leverage ratio risk appetite objectives, and derive our CaR solvency measure at a 99.9% confidence level to assess our solvency risk appetite objective.

We use the CaR solvency measure as a basis for deriving the contributions of the business divisions to risk-based capital (RBC), which is a component of our equity attribution framework. RBC measures the potential capital impairment from an extreme stress event at a 99.9% confidence level.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the equity attribution framework**

## Portfolio and position limits

UBS maintains a comprehensive set of risk limits across its major risk portfolios. These portfolio limits are set based on our risk appetite and periodically reviewed and adjusted as part of the business planning process.

Firm-wide stress and statistical metrics are complemented by more granular portfolio and position limits, triggers and targets. Combining these measures provides a comprehensive control framework to apply to our business divisions, as well as the significant legal entities, as relevant to the key risks arising from their businesses.

We apply limits to a variety of exposures at portfolio level, using statistical and stress-based measures, such as value-at-risk, liquidity-adjusted stress, loan underwriting limits, economic value sensitivity and portfolio default simulations for loan books. These are complemented with a set of controls for net interest income sensitivity, mark-to-market losses on available-for-sale portfolios, and the effect of foreign exchange movements on capital and capital ratios.

Portfolio measures are supplemented with position-level controls. Risk measures for position controls are based on market risk sensitivities and counterparty-level credit risk exposures. Market risk sensitivities include sensitivities to changes in general market risk factors (e.g., equity indices, foreign exchange rates and interest rates) and sensitivities to issuer-specific factors (e.g., changes in an issuer's credit spread or default risk). We monitor numerous market and treasury risk controls on a daily basis. Counterparty measures capture the current and potential future exposure to an individual counterparty, considering collateral and legally enforceable netting agreements.

› **Refer to "Credit risk" in this section for more information about counterparty limits**

› **Refer to "Risk appetite framework" in this section for more information about the risk appetite framework**

## Risk concentrations

Audited | Risk concentrations may exist where one or several positions within or across different risk categories could result in significant losses relative to UBS's financial strength. Identifying such risk concentrations and assessing their potential impact is a critical component of our risk management and control process.

For financial risks, we consider a number of elements, such as shared characteristics of positions, the size of the portfolio and the sensitivity of positions to changes in the underlying risk factors. Also important in our assessment is the liquidity of the markets where the positions are traded, as well as the availability and effectiveness of hedges or other potential risk-mitigating factors. This includes an assessment of the provider of the hedge and market liquidity where the hedge might be traded. Particular attention is given to identification of wrong-way risk and risk on risk. Wrong-way risk is defined as a positive correlation between the size of the exposure and the likelihood of a loss. Risk on risk is when a position and its risk mitigation can be impacted by the same event.

For non-financial risks, risk concentrations may result from, for example, a single operational risk issue that is large on its own (i.e., has the potential to produce a single high-impact loss or a number of losses that together are high impact) or related risk issues that may link together to create a high impact.

Risk concentrations are subject to increased oversight by Group Risk Control and Group Compliance, Regulatory & Governance, and assessed to determine whether they should be reduced or mitigated, depending on the available means to do so. It is possible that material losses could occur on financial or non-financial risks, particularly if the correlations that emerge in a stressed environment differ markedly from those envisaged by risk models. ▲

› **Refer to "Credit risk" and "Market risk" in this section for more information about the composition of our portfolios**

› **Refer to the "Risk factors" section of this report for more information**

# Credit risk

## Key developments

In Global Wealth Management, the Lombard and mortgage books showed significant growth primarily in the Americas over the course of 2021, while keeping a stable risk profile with regard to concentrations and with no material losses.

Across the firm, our lending portfolios performed well, with credit loss expenses below expectations. Nevertheless, we continue to be exposed to the development of the global economy and the effects of the ongoing and highly uncertain COVID-19 pandemic.

We incurred a loss of USD 861 million in the first half of 2021 on the default of a US-based client of our prime brokerage business. We have conducted a thorough review and put in place appropriate measures to strengthen our relevant client onboarding and risk management and control processes. Across the items identified for remediation and beyond, we have made changes to our organization to drive wider improvements in both first and second lines of defense. Our prime brokerage business remains a strategic element of UBS's offering.

## Credit loss expense / release

Total net credit loss releases were USD 148 million in 2021, compared with net credit loss expenses of USD 694 million in the prior year, reflecting net releases of USD 123 million related to stage 1 and 2 positions and net releases of USD 25 million related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss releases of USD 123 million in 2021 included a partial net release of a post-model adjustment of USD 68 million, due to the continued positive trend in macroeconomic scenario input data during the year, a USD 45 million net release from a number of model and methodology changes, a residual USD 10 million net release from remeasurements within the loan book, and derecognized transactions, partially offset by expenses from new transactions. Stage 3 net releases of USD 25 million were recognized across a number of defaulted positions, primarily corporate lending positions in Personal & Corporate Banking.

› **Refer to "Note 1 Summary of material accounting policies," "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about IFRS 9 and expected credit losses**

## Audited | Main sources of credit risk

- Global Wealth Management predominantly conducts securities-based (Lombard) lending and mortgage lending.
- A substantial portion of lending exposure arises from Personal & Corporate Banking, which offers mortgage loans, secured mainly by residential properties and income-producing real estate, as well as corporate loans, and therefore depends on the performance of the Swiss economy.
- The Investment Bank's credit exposure arises mainly from lending, derivatives trading and securities financing. Derivatives trading and securities financing are mainly investment grade. Loan underwriting activity can be lower rated and give rise to temporary concentrated exposure.
- Credit risk within Non-core and Legacy Portfolio relates to derivative transactions and securitized positions. ▲

**Credit loss (expense) / release**

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | 28 | 62 | 0 | 34 | 0 | 123 |
| Stage 3 | 1 | 24 | (1) | 0 | 0 | 25 |
| Total credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| | | | | | | |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | (48) | (129) | 0 | (88) | 0 | (266) |
| Stage 3 | (40) | (128) | (2) | (217) | (42) | (429) |
| Total credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (694) |
| | | | | | | |
| For the year ended 31.12.19 | | | | | | |
| Stages 1 and 2 | 3 | 23 | 0 | (4) | 0 | 22 |
| Stage 3 | (23) | (44) | 0 | (26) | (7) | (100) |
| Total credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |

## Audited | Overview of measurement, monitoring and management techniques

- Credit risk from transactions with individual counterparties is based on our estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Limits are established for individual counterparties and groups of related counterparties covering banking and traded products, and for settlement amounts. Risk authorities are approved by the BoD and are delegated to the Group CEO, the Group CRO and divisional CROs, based on risk exposure amounts, internal credit rating and potential for losses.
- Limits apply not only to the current outstanding amount but also to contingent commitments and the potential future exposure of traded products.
- The Investment Bank monitoring, measurement and limit framework distinguishes between exposures intended to be held to maturity (take-and-hold exposures) and those intended for distribution or risk transfer (temporary exposures).
- We use models to derive portfolio credit risk measures of expected loss, statistical loss and stress loss at Group-wide and business division levels, and to establish portfolio limits.
- Credit risk concentrations can arise if clients are engaged in similar activities, located in the same geographical region or have comparable economic characteristics, e.g., if their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. To avoid credit risk concentrations, we establish limits / operational controls that constrain risk concentrations at portfolio and sub-portfolio levels for sector exposure, country risk and specific product exposures. ▲

## Credit risk profile of the Group

The exposures detailed in this section are based on management's view of credit risk, which differs in certain respects from the expected credit loss (ECL) measurement requirements of IFRS.

Internally, we put credit risk exposures into two broad categories: banking products and traded products. Banking products include drawn loans, guarantees and loan commitments, amounts due from banks, balances at central banks, and other financial assets at amortized cost. Traded products include over-the-counter (OTC) derivatives, exchange-traded derivatives (ETDs) and securities financing transactions (SFTs), consisting of securities borrowing and lending, and repurchase and reverse repurchase agreements.

## Banking products

Breakdowns of banking products exposures in the "Banking and traded products exposure in our business divisions and Group Functions" table on the next page reflect the total exposures within the scope of ECL requirements and are gross before allowances and provisions for ECL and credit hedges. Guarantees and loan commitments are shown on a notional basis, without applying credit conversion factors.

› **Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section of this report for more information about our accounting policy for allowances and provisions for ECL**

› **Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about ECL measurement requirements under IFRS**

› **Refer to "Note 14a Other financial assets measured at amortized cost" in the "Consolidated financial statements" section of this report for more details**

**Banking and traded products exposure in our business divisions and Group Functions**

| | 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
| Banking products[1,2] | | | | | | |
| Gross exposure | 337,266 | 229,334 | 1,520 | 59,352 | 65,514 | 692,985 |
| *of which: loans and advances to customers (on-balance sheet)* | *228,598* | *152,847* | *0* | *13,720* | *3,445* | *398,611* |
| *of which: guarantees and loan commitments (off-balance sheet)* | *10,772* | *29,737* | *0* | *14,994* | *4,947* | *60,450* |
| Traded products[2,3] | | | | | | |
| Gross exposure | 9,582 | 783 | 0 | 35,950 | | 46,314 |
| *of which: over-the-counter derivatives* | *7,186* | *766* | *0* | *9,767* | | *17,719* |
| *of which: securities financing transactions* | *0* | *0* | *0* | *18,566* | | *18,566* |
| *of which: exchange-traded derivatives* | *2,396* | *17* | *0* | *7,617* | | *10,030* |
| Other credit lines, gross[4] | 12,947 | 24,174 | 0 | 3,629 | 28 | 40,778 |
| | | | | | | |
| Total credit-impaired exposure, gross (stage 3)[1] | 729 | 1,617 | 0 | 264 | 0 | 2,610 |
| Total allowances and provisions for expected credit losses (stages 1 to 3) | 264 | 709 | 0 | 188 | 4 | 1,165 |
| *of which: stage 1* | *89* | *126* | *0* | *64* | *4* | *282* |
| *of which: stage 2* | *41* | *146* | *0* | *34* | *0* | *220* |
| *of which: stage 3 (allowances and provisions for credit-impaired exposures)* | *135* | *438* | *0* | *90* | *0* | *662* |

| | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
| Banking products[1,2] | | | | | | |
| Gross exposure | 300,368 | 227,139 | 3,374 | 56,237 | 52,199 | 639,317 |
| *of which: loans and advances to customers (on-balance sheet)* | *208,324* | *153,975* | *1* | *13,964* | *4,324* | *380,589* |
| *of which: guarantees and loan commitments (off-balance sheet)* | *10,153* | *28,814* | *0* | *15,936* | *3,550* | *58,453* |
| Traded products[2,3] | | | | | | |
| Gross exposure | 9,919 | 1,201 | 0 | 40,215 | | 51,335 |
| *of which: over-the-counter derivatives* | *6,946* | *1,182* | *0* | *11,236* | | *19,364* |
| *of which: securities financing transactions* | *0* | *0* | *0* | *21,753* | | *21,753* |
| *of which: exchange-traded derivatives* | *2,973* | *19* | *0* | *7,227* | | *10,218* |
| Other credit lines, gross[4] | 12,201 | 24,950 | 0 | 2,952 | 31 | 40,134 |
| | | | | | | |
| Total credit-impaired exposure, gross (stage 3)[1] | 1,324 | 1,997 | 0 | 450 | 7 | 3,778 |
| Total allowances and provisions for expected credit losses (stages 1 to 3) | 318 | 842 | 1 | 298 | 10 | 1,468 |
| *of which: stage 1* | *103* | *130* | *0* | *70* | *3* | *306* |
| *of which: stage 2* | *54* | *216* | *0* | *63* | *0* | *333* |
| *of which: stage 3 (allowances and provisions for credit-impaired exposures)* | *160* | *497* | *1* | *165* | *6* | *829* |

1 ECL gross exposure including other financial assets at amortized cost, but excluding cash, receivables from securities financing transactions, cash collateral receivables on derivative instruments, financial assets at FVOCI, irrevocable committed prolongation of existing loans and unconditionally revocable committed credit lines and forward starting reverse repurchase and securities borrowing agreements. 2 Internal management view of credit risk, which differs in certain respects from IFRS. 3 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank and Group Functions is provided. 4 Unconditionally revocable committed credit lines.

## Global Wealth Management

Gross banking products exposure within Global Wealth Management increased to USD 337 billion from USD 300 billion.

Our Global Wealth Management loan portfolio is mainly secured by securities (Lombard loans) and by residential real estate. Most Lombard loans were of high quality, with 93% rated as investment grade based on our internal ratings, and are typically short term in nature, with an average loan-to-value (LTV) of 46%. Moreover, Lombard loans can be canceled immediately if the collateral quality deteriorates and margin calls are not met. In 2021, the Lombard book, including traded products, increased approximately 10%, while keeping a stable risk profile with regard to collateral concentrations with no material losses. The increase was mainly driven by higher loan volumes in the US that are collateralized by highly liquid and diversified securities. The share of non-standard Lombard loans, for example with less liquid or concentrated collateral, was stable at approximately 4% of the total Lombard book.

The mortgage book increased by approximately 8%, driven by higher volumes of mortgage loans in the US residential real estate portfolios (average LTV 51%).

Other financings and non-standard loans represent approximately 3% of the total banking products exposures and are consolidated in a corporate and other portfolio that increased approximately 57% in 2021, mainly driven by private equity subscription facilities in the US, which are mostly investment grade rated.

**Global Wealth Management and Personal & Corporate Banking loans and advances to customers, gross[1]**

| | Global Wealth Management | | Personal & Corporate Banking | |
|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Secured by residential real estate | 58,655 | 60,021 | 110,041 | 111,554 |
| Secured by commercial / industrial real estate | 3,338 | 3,273 | 18,878 | 19,623 |
| Secured by cash | 34,175 | 22,722 | 3,114 | 2,860 |
| Secured by securities | 115,901 | 104,652 | 2,214 | 2,003 |
| Secured by guarantees and other collateral | 14,138 | 15,605 | 7,435 | 6,942 |
| Unsecured loans and advances to customers | 2,391 | 2,051 | 11,166 | 10,994 |
| Total loans and advances to customers, gross | 228,598 | 208,324 | 152,847 | 153,975 |
| Allowances | (168) | (190) | (574) | (676) |
| Total loans and advances to customers, net of allowances | 228,431 | 208,134 | 152,273 | 153,299 |

1 Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. In 2021, the collateral allocation was refined to reflect additional cash collateral and custody accounts that are also available as security for certain on-balance sheet lending. This resulted in an increase in loans secured by cash, with an offsetting reduction in loans secured by residential real estate and loans secured by securities.

## Personal & Corporate Banking

Gross banking products exposure (excluding exposure re-allocated from Group Treasury) within Personal & Corporate Banking was largely unchanged in our reporting currency at USD 186 billion (CHF 170 billion), compared with USD 187 billion (CHF 165 billion). Net banking products exposure was USD 186 billion (CHF 169 billion), compared with USD 186 billion (CHF 165 billion), of which approximately 65% was classified as investment grade, unchanged from 2020. Around 50% of the exposure is categorized in the lowest LGD bucket, i.e., 0–25%, similar to 2020. Personal & Corporate Banking's gross loan portfolio was USD 153 billion (CHF 139 billion) compared with USD 154 billion (CHF 136 billion) in 2020. This portfolio is predominantly denominated in Swiss francs and the increase in Swiss franc terms was more than offset by the effect of the US dollar appreciating. As of 31 December 2021, 93% of this portfolio was secured by collateral, mainly residential and commercial property. Of the total unsecured amount, 83% related to cash flow-based lending to corporate counterparties and 4% related to lending to public authorities. Based on our internal ratings, 50% of the unsecured loan portfolio was rated as investment grade, compared with 45% in 2020.

The improved macroeconomic environment for most industries along with the supporting measures of the Swiss Government and Cantons, such as COVID-19 loans, short-time work compensation and subsidies, as well as our careful risk management, led to numerous credit loss releases during 2021.

Our Swiss corporate banking products portfolio, which was USD 36 billion (CHF 33 billion) compared with USD 35 billion (CHF 31 billion) in 2020, consists of loans, guarantees and loan commitments to multi-national and domestic counterparties. The small and medium-sized entity (SME) portfolio, in particular, is well diversified across industries. However, such companies are reliant on the domestic economy and the economies to which they export, in particular the EU and the US. In addition, the change in the EUR / CHF exchange rate is an important risk factor for Swiss corporate clients.

Our commodity trade finance portfolio focuses on energy and base-metal trading companies, where the related commodity price risk is hedged to a large extent by the commodity trader. The majority of limits in this business are uncommitted, transactional and short-term in nature. Our portfolio size was USD 8 billion (CHF 7 billion) as of 31 December 2021, compared with USD 6 billion (CHF 5 billion) in 2020, with the increase in exposure mainly driven by the strong appreciation of commodity prices in 2021.

Our exposure to banks consists primarily of contingent claims and was USD 6 billion (CHF 5 billion), unchanged compared with 2020.

The delinquency ratio was 0.3% for the corporate portfolio, compared with 0.4% at the end of 2020.

› **Refer to "Credit risk models" in this section for more information about loss given default, rating grades and rating agency mappings**

## Swiss mortgage loan portfolio

Our Swiss mortgage loan portfolio secured by residential and commercial real estate in Switzerland continues to be our largest loan portfolio. These mortgage loans, totaling USD 167 billion (CHF 152 billion), mainly originate from Personal & Corporate Banking, but also from Global Wealth Management Region Switzerland. Of these mortgage loans, USD 152 billion (CHF 138 billion) related to residential properties that the borrower was either occupying or renting out, with full recourse to the borrower. Of this USD 152 billion (CHF 138 billion), USD 110 billion (CHF 100 billion) is related to properties occupied by the borrower, with an average LTV ratio of 52%, compared with 54% as of 31 December 2020. The average LTV for newly originated loans for this portfolio was 64%, compared with 67% in 2020. The remaining USD 42 billion (CHF 38 billion) of the Swiss residential mortgage loan portfolio related to properties rented out by the borrower and the average LTV of that portfolio was 52%, compared with 53% as of 31 December 2020. The average LTV for newly originated Swiss residential mortgage loans for properties rented out by the borrower was 55%, compared with 56% in 2020.

As illustrated in the "Swiss mortgages: distribution of net exposure at default (EAD) across exposure segments and loan-to-value (LTV) buckets" table on the following page, more than 99% of the aggregate amount of Swiss residential mortgage loans would continue to be covered by the real estate collateral even if the value assigned to that collateral were to decrease 20%, and more than 98% would remain covered by the real estate collateral even if the value assigned to that collateral were to decrease 30%. In this table, the amount of each mortgage loan is allocated across the LTV buckets to indicate the portion at risk at the various value levels shown; for example, a loan of 75 with an LTV ratio of 75% (i.e., a collateral value of 100) would result in allocations of 30 in the less-than-30% LTV bucket, 20 in the 31–50% bucket, 10 in the 51–60% bucket, 10 in the 61–70% bucket and 5 in the 71–80% bucket.

### Personal & Corporate Banking: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets[1]

| *USD million, except where indicated* | 31.12.21 | | | | | | 31.12.20 | |
|---|---|---|---|---|---|---|---|---|
| | | LGD buckets | | | | | | |
| Internal UBS rating[2] | Exposure | 0–25% | 26–50% | 51–75% | 76–100% | Weighted average LGD (%) | Exposure | Weighted average LGD (%) |
| Investment grade | 121,520 | 68,547 | 41,738 | 9,347 | 1,889 | 27 | 121,386 | 26 |
| Sub-investment grade | 63,141 | 24,301 | 25,306 | 11,646 | 1,888 | 34 | 63,266 | 33 |
| *of which: 6–9* | *57,955* | *22,540* | *23,195* | *10,513* | *1,706* | *34* | *58,141* | *33* |
| *of which: 10–13* | *5,185* | *1,760* | *2,110* | *1,133* | *181* | *36* | *5,125* | *35* |
| Defaulted / Credit-impaired | 1,617 | 32 | 1,332 | 252 | 0 | 42 | 1,997 | 41 |
| Total exposure before deduction of allowances and provisions | 186,278 | 92,880 | 68,376 | 21,245 | 3,777 | 29 | 186,648 | 29 |
| Less: allowances and provisions | (674) | | | | | | (795) | |
| Net banking products exposure[1] | 185,604 | | | | | | 185,853 | |

1 Excluding balances at central banks and Group Treasury reallocations. 2 The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

### Personal & Corporate Banking: unsecured loans by industry sector

| | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| Construction | 166 | 1.5 | 157 | 1.4 |
| Financial institutions | 2,786 | 25.0 | 2,553 | 23.2 |
| Hotels and restaurants | 119 | 1.1 | 133 | 1.2 |
| Manufacturing | 1,555 | 13.9 | 1,572 | 14.3 |
| Private households | 1,488 | 13.3 | 1,648 | 15.0 |
| Public authorities | 419 | 3.8 | 472 | 4.3 |
| Real estate and rentals | 574 | 5.1 | 498 | 4.5 |
| Retail and wholesale | 1,971 | 17.7 | 1,756 | 16.0 |
| Services | 1,908 | 17.1 | 1,896 | 17.3 |
| Other | 180 | 1.6 | 309 | 2.8 |
| Exposure, gross | 11,166 | 100.0 | 10,994 | 100.0 |

### Swiss mortgages: distribution of net exposure at default (EAD) across exposure segments and loan-to-value (LTV) buckets

| *USD billion, except where indicated* | | 31.12.21 | | | | | | | | 31.12.20 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | LTV buckets | | | | | | | | |
| Exposure segment | | ≤30% | 31–50% | 51–60% | 61–70% | 71–80% | 81–100% | >100% | Total | Total |
| Residential mortgages | Net EAD | 89.0 | 38.6 | 10.2 | 4.6 | 1.2 | 0.2 | 0.1 | 143.9 | 143.9 |
| | as a % of row total | 62 | 27 | 7 | 3 | 1 | 0 | 0 | | |
| Income-producing real estate | Net EAD | 14.5 | 5.7 | 1.3 | 0.5 | 0.2 | 0.0 | 0.0 | 22.2 | 22.8 |
| | as a % of row total | 65 | 25 | 6 | 2 | 1 | 0 | 0 | | |
| Corporates | Net EAD | 7.1 | 2.6 | 0.7 | 0.4 | 0.2 | 0.1 | 0.0 | 10.9 | 10.8 |
| | as a % of row total | 65 | 23 | 6 | 3 | 1 | 1 | 0 | | |
| Other segments | Net EAD | 0.6 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.8 |
| | as a % of row total | 68 | 20 | 5 | 3 | 2 | 2 | 0 | | |
| Mortgage-covered exposure | Net EAD | 111.2 | 47.0 | 12.2 | 5.5 | 1.5 | 0.3 | 0.1 | 177.9 | 178.3 |
| | as a % of total | 63 | 26 | 7 | 3 | 1 | 0 | 0 | | |
| Mortgage-covered exposure 31.12.20 | Net EAD | 108.8 | 47.3 | 13.0 | 6.4 | 2.0 | 0.5 | 0.2 | 178.3 | |
| | as a % of total | 61 | 27 | 7 | 4 | 1 | 0 | 0 | 100 | |

## Asset Management

Gross banking products exposure within Asset Management was USD 1.5 billion as of 31 December 2021, compared with USD 3.4 billion as of 31 December 2020. The reduction was driven by lower allocated balances at central banks.

## Investment Bank

The Investment Bank's lending activities are largely associated with corporate and non-bank financial institutions. The business is broadly diversified across industry sectors, but concentrated in North America.

The gross banking products exposure including balances at central banks and Group Treasury reallocations was USD 59 billion as of 31 December 2021, compared with USD 56 billion as of 31 December 2020. Gross banking products exposure excluding balances at central banks and Group Treasury reallocations decreased to USD 35 billion from USD 37 billion, mostly driven by decreases in irrevocable loan commitments. Based on our internal ratings, 53% of this gross banking products exposure was classified as investment grade. The vast majority of the gross banking products exposure had an estimated LGD below 50%.

Our loan underwriting business's overall ability to distribute risk remained sound. Total mandated temporary loan underwriting exposure ended 2021 at USD 6.6 billion, compared with USD 4.9 billion at the end of the prior year. Loan underwriting exposures are classified as held for trading, with fair values reflecting market conditions at the end of 2021.

› **Refer to "Credit risk models" in this section for more information about LGD, rating grades and rating agency mappings**

**Investment Bank: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets[1]**

| *USD million, except where indicated* | 31.12.21 | | | | | | 31.12.20 | |
|---|---|---|---|---|---|---|---|---|
| | | LGD buckets | | | | | | |
| Internal UBS rating[2] | Exposure | 0–25% | 26–50% | 51–75% | 76–100% | Weighted average LGD (%) | Exposure | Weighted average LGD (%) |
| Investment grade | 18,302 | 6,486 | 7,673 | 3,069 | 1,073 | 36 | 19,303 | 36 |
| Sub-investment grade | 16,250 | 5,022 | 6,111 | 5,020 | 97 | 20 | 16,785 | 17 |
| *of which: 6–9* | *10,467* | *3,269* | *2,163* | *4,938* | *97* | *14* | *12,030* | *11* |
| *of which: 10–13* | *5,783* | *1,753* | *3,948* | *82* | *0* | *31* | *4,756* | *30* |
| Defaulted / Credit-impaired | 264 | 58 | 196 | 9 | 0 | 33 | 450 | 53 |
| Banking products exposure[1] | 34,815 | 11,566 | 13,981 | 8,098 | 1,170 | 28 | 36,538 | 27 |

1 Excluding balances at central banks and Group Treasury reallocations. 2 The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

**Investment Bank: banking products exposure by geographical region[1]**

| | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| Asia Pacific | 5,154 | 14.8 | 7,216 | 19.7 |
| Latin America | 1,327 | 3.8 | 1,584 | 4.3 |
| Middle East and Africa | 212 | 0.6 | 428 | 1.2 |
| North America | 16,282 | 46.8 | 15,462 | 42.3 |
| Switzerland | 453 | 1.3 | 720 | 2.0 |
| Rest of Europe | 11,387 | 32.7 | 11,129 | 30.5 |
| Exposure[1] | 34,815 | 100.0 | 36,538 | 100.0 |

1 Excluding balances at central banks and Group Treasury reallocations.

**Investment Bank: banking products exposure by industry sector[1]**

| | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| Banks | 4,908 | 14.1 | 5,846 | 16.0 |
| Chemicals | 645 | 1.9 | 876 | 2.4 |
| Electricity, gas, water supply | 359 | 1.0 | 448 | 1.2 |
| Financial institutions, excluding banks | 13,353 | 38.4 | 14,570 | 39.9 |
| Manufacturing | 1,692 | 4.9 | 1,681 | 4.6 |
| Mining | 1,024 | 2.9 | 1,558 | 4.3 |
| Public authorities | 619 | 1.8 | 1,273 | 3.5 |
| Real estate and construction | 1,581 | 4.5 | 1,421 | 3.9 |
| Retail and wholesale | 2,793 | 8.0 | 2,041 | 5.6 |
| Technology and communications | 3,736 | 10.7 | 3,443 | 9.4 |
| Transport and storage | 414 | 1.2 | 445 | 1.2 |
| Other | 3,691 | 10.6 | 2,937 | 8.0 |
| Exposure[1] | 34,815 | 100.0 | 36,538 | 100.0 |

1 Excluding balances at central banks and Group Treasury reallocations. Clearing houses are now classified under Financial institutions, excluding banks (31 December 2021: USD 1,196 million; 31 December 2020: USD 1,440 million).

### Group Functions

Gross banking products exposure within Group Functions, which arises primarily in connection with treasury activities, increased by USD 13 billion to USD 66 billion from balances at central banks. The cash inflow was generated mainly from lower funding consumption by the Investment Bank, shifts within the high-quality liquid asset (HQLA) portfolio from securities into cash, and net new issuances of long-term debt issued measured at amortized cost.

› **Refer to "Balance sheet assets" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information**
› **Refer to the "Group Functions" section of this report for more information**

## Traded products

Audited | Counterparty credit risk (CCR) arising from traded products, which include OTC derivatives, ETD exposures and SFTs, originating in the Investment Bank, Non-core and Legacy Portfolio, and Group Treasury, is generally managed on a close-out basis. This takes into account possible effects of market movements on the exposure and any associated collateral over the time it would take to close out our positions. In the Investment Bank, limits are applied to the potential future exposure per counterparty, with the size of the limit dependent on the counterparty's creditworthiness (as determined by Risk Control). Limit frameworks are also used to control overall exposure to specific classes or categories of collateral on a portfolio level. Such portfolio limits are monitored and reported to senior management.

Trading in OTC derivatives is conducted through central counterparties (CCPs) where practicable. Where CCPs are not used, we have clearly defined policies and processes for trading on a bilateral basis. Trading is typically conducted under bilateral International Swaps and Derivatives Association (ISDA) or similar master netting agreements, which generally allow for close-out and netting of transactions in case of default, subject to applicable law. For most major market participant counterparties, we use two-way collateral agreements under which either party can be required to provide collateral in the form of cash or marketable securities when the exposure exceeds specified levels. This collateral typically consists of well-rated government debt or other collateral permitted by applicable regulations. For certain counterparties, an initial margin is taken to cover some or all of the calculated close-out exposure. This is in addition to the variation margin taken to settle changes in market value of transactions. Regulations on margining uncleared OTC derivatives continue to evolve. These generally expand the scope of bilateral derivatives activity subject to margining. They will also result in greater amounts of initial margin received from, and posted to, certain bilateral trading counterparties than had been required in the past. These changes should result in lower close-out risk over time. ▲

In the tables on the following page, OTC derivatives exposures are generally presented as net positive replacement values after the application of legally enforceable netting agreements and the deduction of cash and marketable securities held as collateral. SFT exposures are reported taking into account collateral received, and ETD exposures take into account collateral margin calls.

The "Banking and traded products exposure in our business divisions and Group Functions" table in this section provides information on the split by divisions and products, and the tables on the next page provide information about the OTC derivatives, SFT and ETD exposures of the Investment Bank, Non-core and Legacy Portfolio, and Group Treasury.

› **Refer to "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report for more information about OTC derivatives settled through central counterparties**
› **Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of this report for more information about the effect of netting and collateral arrangements on derivative exposures**

### Investment Bank, Non-core and Legacy Portfolio and Group Treasury: traded products exposure

| USD million | OTC derivatives | SFTs | ETDs | Total | Total |
|---|---|---|---|---|---|
| | | 31.12.21 | | | 31.12.20 |
| Total exposure, before deduction of credit valuation adjustments and hedges | 9,767 | 18,566 | 7,617 | 35,950 | 40,215 |
| Less: credit valuation adjustments and allowances | (34) | 0 | 0 | (34) | (54) |
| Less: credit protection bought (credit default swaps, notional) | (119) | 0 | 0 | (119) | (126) |
| Net exposure after credit valuation adjustments, allowances and hedges | 9,615 | 18,566 | 7,617 | 35,797 | 40,035 |

### Investment Bank, Non-core and Legacy Portfolio and Group Treasury: distribution of net OTC derivatives and SFT exposure across internal UBS ratings and loss given default (LGD) buckets

| USD million, except where indicated | 31.12.21 | | | | | | 31.12.20 | |
|---|---|---|---|---|---|---|---|---|
| | | LGD buckets | | | | | | |
| Internal UBS rating[1] | Exposure | 0–25% | 26–50% | 51–75% | 76–100% | Weighted average LGD (%) | Exposure | Weighted average LGD (%) |
| Net OTC derivatives exposure | | | | | | | | |
| Investment grade | 9,297 | 272 | 7,770 | 704 | 552 | 47 | 10,436 | 49 |
| Sub-investment grade | 317 | 44 | 54 | 131 | 88 | 59 | 620 | 55 |
| *of which: 6–9* | *249* | *25* | *53* | *90* | *81* | *62* | *487* | *55* |
| *of which: 10–12* | *46* | *0* | *1* | *39* | *7* | *64* | *114* | *62* |
| *of which: 13 and defaulted* | *22* | *19* | *0* | *3* | *0* | *14* | *19* | *12* |
| Total net OTC derivatives exposure, after credit valuation adjustments and hedges | 9,615 | 317 | 7,824 | 835 | 639 | 48 | 11,056 | 49 |
| Net SFT exposure | | | | | | | | |
| Investment grade | 17,937 | 159 | 15,655 | 1,812 | 310 | 40 | 21,155 | 40 |
| Sub-investment grade | 629 | 0 | 296 | 50 | 283 | 69 | 598 | 59 |
| Total net SFT exposure | 18,566 | 159 | 15,951 | 1,862 | 593 | 41 | 21,753 | 40 |

1 The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

### Investment Bank, Non-core and Legacy Portfolio and Group Treasury: net OTC derivatives and SFT exposure by geographical region

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.21 | | 31.12.20 | | 31.12.21 | | 31.12.20 | |
| | USD million | % | USD million | % | USD million | % | USD million | % |
| Asia Pacific | 1,586 | 16.5 | 2,139 | 19.3 | 5,380 | 29.0 | 5,123 | 23.6 |
| Latin America | 111 | 1.2 | 162 | 1.5 | 20 | 0.1 | 18 | 0.1 |
| Middle East and Africa | 112 | 1.2 | 263 | 2.4 | 360 | 1.9 | 939 | 4.3 |
| North America | 1,830 | 19.0 | 2,539 | 23.0 | 4,473 | 24.1 | 4,778 | 22.0 |
| Switzerland | 688 | 7.2 | 667 | 6.0 | 559 | 3.0 | 1,329 | 6.1 |
| Rest of Europe | 5,288 | 55.0 | 5,286 | 47.8 | 7,774 | 41.9 | 9,566 | 44.0 |
| Exposure | 9,615 | 100.0 | 11,056 | 100.0 | 18,566 | 100.0 | 21,753 | 100.0 |

### Investment Bank, Non-core and Legacy Portfolio and Group Treasury: net OTC derivatives and SFT exposure by industry sector

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.21 | | 31.12.20 | | 31.12.21 | | 31.12.20 | |
| | USD million | % | USD million | % | USD million | % | USD million | % |
| Banks[1] | 986 | 10.3 | 1,877 | 17.0 | 1,654 | 8.9 | 1,653 | 7.6 |
| Chemicals | 14 | 0.1 | 10 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| Electricity, gas, water supply | 103 | 1.1 | 127 | 1.2 | 0 | 0.0 | 0 | 0.0 |
| Financial institutions, excluding banks[1] | 7,174 | 74.6 | 6,742 | 61.0 | 15,866 | 85.5 | 18,049 | 83.0 |
| Manufacturing | 50 | 0.5 | 68 | 0.6 | 0 | 0.0 | 0 | 0.0 |
| Mining | 51 | 0.5 | 12 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| Public authorities | 810 | 8.4 | 1,339 | 12.1 | 926 | 5.0 | 2,050 | 9.4 |
| Retail and wholesale | 22 | 0.2 | 44 | 0.4 | 0 | 0.0 | 0 | 0.0 |
| Transport, storage and communication | 255 | 2.6 | 481 | 4.3 | 0 | 0.0 | 0 | 0.0 |
| Other | 150 | 1.6 | 356 | 3.2 | 120 | 0.6 | 1 | 0.0 |
| Exposure | 9,615 | 100.0 | 11,056 | 100.0 | 18,566 | 100.0 | 21,753 | 100.0 |

1 Clearing houses have been reclassified from Banks to Financial institutions, excluding banks. Prior-period numbers have been restated accordingly

## Credit risk mitigation

Audited | We actively manage credit risk in our portfolios by taking collateral against exposures and by utilizing credit hedging. ▲

### Lending secured by real estate

Audited | We use a scoring model as part of a standardized front-to-back process for credit decisions on originating or modifying Swiss mortgage loans. The model's two key factors are the LTV ratio and an affordability calculation relative to gross income. ▲

The calculation of affordability takes into account interest payments, minimum amortization requirements, potential property maintenance costs and, for rental properties, the level of rental income. Interest payments are estimated using a predefined framework, which considers the potential for significant interest rates increases over the lifetime of the loan. The interest rate is set at 5% per annum in the context of the current environment.

For residential properties occupied by the borrower, the maximum LTV for the standard approval process is 80% and 60% for holiday homes and luxury real estate. For other properties, the maximum LTV allowed within the standard approval process ranges from 30% to 80%, depending on the type and age of the property, and the amount of renovation work needed.

Audited | The value we assign to each property is based on the lowest value determined from model-derived valuations, the purchase price, an asset value for income-producing real estate (IPRE), and, in some cases, an additional external valuation for owner-occupied residential properties (ORPs). ▲

Two separate models provided by a market-leading external vendor are used to derive property valuations for ORPs and IPRE. We estimate the current value of an ORP using a regression model (a hedonic model) based on statistical comparison against current transaction data. We derive the value of a property from the characteristics of the real estate itself, as well as those of its location. In addition to the initial valuation, values for ORPs are updated quarterly over the lifetime of the loan using region-specific real estate price indices. The price indices are sourced from an external vendor and subject to internal validation and benchmarking. We use these valuations quarterly to compute indexed LTV for all ORPs. A portfolio-specific monitoring system considers these along with other risk measures (e.g., rating and behavioral information) to identify higher-risk loans and triggers an assessment and reappraisal by client advisors and credit officers as needed.

For IPRE, the capitalization rate model is used to determine the property valuation by discounting estimated sustainable future income using a capitalization rate based on various attributes. These attributes consider regional and specific property characteristics, such as market and location data (e.g., vacancy rates), benchmarks (e.g., for running costs) and certain other standardized input parameters (e.g., property condition). Updated information regarding rental income from IPRE is requested from the client at least once every three years. Our portfolio-specific monitoring system alerts us to changes in rental income and other risk measures (e.g., LTV, rating, behavioral information), and triggers an assessment and reappraisal by client advisors and credit officers as needed.

To take market developments into account for these models, the external vendor regularly updates the parameters and / or refines the architecture for each model. Model changes and parameter updates are subject to the same validation procedures as our internally developed models.

Audited | We similarly apply underwriting guidelines for our Global Wealth Management Region Americas mortgage loan portfolio, taking into account loan affordability and collateral sufficiency. LTV standards are defined for the various mortgage types, such as residential mortgages or investment properties, based on associated risk factors, such as property type, loan size, and purpose. The maximum LTV allowed within the standard approval process ranges from 45% to 80%. In addition to LTV, other credit risk metrics, such as debt-to-income ratios, credit scores and required client reserves, are also part of our underwriting guidelines.

A risk limit framework is applied to the Global Wealth Management Region Americas mortgage loan portfolio. Limits are set to govern exposures within LTV categories, geographic concentrations, portfolio growth and high-risk mortgage segments, such as interest-only loans. These limits are monitored by a specialized credit risk monitoring team and reported to senior management. Supplementing this limit framework is a real estate lending policy and procedures framework, set up to govern real estate lending activities. Quality assurance and quality control programs monitor compliance with mortgage underwriting and documentation requirements.

For our mortgage loan portfolio in the Global Wealth Management regions of EMEA and Asia Pacific, we apply global underwriting guidelines with regional variations to allow for regulatory and market differentials. As in other regions, the underwriting guidelines take into account affordability and collateral sufficiency. Affordability is assessed at a stressed interest rate using, for residential real estate, the borrowers' sustainable income and declared liabilities, and for commercial real estate the quality and sustainability of rental income. For interest-only loans, a declared and evidenced repayment strategy must be in place. The applicable LTV for each mortgage is based on the quality and liquidity of the property and assessed against valuations from bank-appointed third-party valuers. Maximum LTV varies from 30% to 70%, depending on the type and location of the property, as well as other factors. Collateral sufficiency is often further supported by personal guarantees from the borrower. The overall portfolio is centrally assessed against a number of stress scenarios to ensure that exposures remain within predefined stress limits. ▲

› **Refer to "Swiss mortgage loan portfolio" in this section for more information about LTV in our Swiss mortgage portfolio**

### Lombard lending

Audited | Lombard loans are secured by pledges of marketable securities, guarantees and other forms of collateral. Eligible financial securities are primarily liquid and actively traded transferable securities (such as bonds and equities), and other transferable securities, such as approved structured products for which regular prices are available and the issuer of the security provides a market. To a lesser degree, less liquid collateral is also used.

We derive lending values by applying discounts (haircuts) to the pledged collateral's market value. Haircuts for marketable securities are calculated to cover possible change in value over a given close-out period and confidence level. Less liquid or more volatile collateral will typically have larger haircuts.

We assess concentration and correlation risks across collateral posted at a counterparty level, and at a divisional level across counterparties. We also perform targeted Group-wide reviews of concentration. Concentration of collateral in single securities, issuers or issuer groups, industry sectors, countries, regions or currencies may result in higher risk and reduced liquidity. In such cases, the lending value of the collateral, margin call and close-out levels are adjusted accordingly. ▲

Exposures and collateral values are monitored daily, with the aim of ensuring that the credit exposure is always within the established risk tolerance. A shortfall occurs when the lending value drops below the exposure; if it exceeds a defined trigger level, a margin call is initiated, requiring the client to provide additional collateral, reduce the exposure or take other action to bring exposure in line with the agreed lending value of the collateral. If a shortfall increases and exceeds a further trigger level, or the shortfall is not corrected within the required period, a close-out is initiated, through which collateral is liquidated, open derivative positions are closed and guarantees are called.

We conduct stress testing of collateralized exposures to simulate market events that reduce collateral value, increase exposure of traded products, or do both. For certain classes of counterparties, limits on such calculated stress exposures are applied and controlled at a counterparty level. Also, portfolio limits are applied across certain businesses or collateral types.

› **Refer to "Stress loss" in this section for more information about our stress testing**

### Credit hedging

Audited | We use single-name credit default swaps (CDSs), credit-index CDSs, bespoke protection and other instruments to actively manage credit risk in the Investment Bank and Non-core and Legacy Portfolio. The aim is to reduce concentrations of risk from specific counterparties, sectors or portfolios and, for CCR, the profit or loss effect arising from changes in credit valuation adjustments (CVAs).

We have strict guidelines with regard to taking credit hedges into account for credit risk mitigation purposes. For example, when monitoring exposures against counterparty limits, we do not usually apply certain credit risk mitigants, such as proxy hedges (credit protection on a correlated but different name) or credit-index CDSs, to reduce counterparty exposures. Buying credit protection also creates credit exposure with regard to the protection provider. We monitor and limit exposures to credit protection providers, and also monitor the effectiveness of credit hedges as part of our overall credit exposures to the relevant counterparties. Trading with such counterparties is typically collateralized. For credit protection purchased to hedge the lending portfolio, this includes monitoring mismatches between the maturity of credit protection purchased and the maturity of the associated loan. Such mismatches result in basis risk and may reduce the effectiveness of the credit protection. Mismatches are routinely reported to credit officers and mitigating actions are taken when necessary. ▲

› **Refer to "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report for more information**

### Mitigation of settlement risk

To mitigate settlement risk, we reduce actual settlement volumes by using multi-lateral and bilateral agreements with counterparties, including payment netting.

Foreign exchange transactions are our most significant source of settlement risk. We are a member of Continuous Linked Settlement (CLS), an industry utility that provides a multi-lateral framework to settle transactions on a delivery-versus-payment basis, thus reducing foreign exchange-related settlement risk relative to the volume of business. However, mitigation of settlement risk through CLS and other means does not fully eliminate credit risk in foreign exchange transactions resulting from changes in exchange rates prior to settlement, which is managed as part of our overall credit risk management of OTC derivatives.

## Credit risk models

### Basel III – A-IRB credit risk models

Audited | We have developed tools and models to estimate future credit losses that may be implicit in our current portfolio.

Exposures to individual counterparties are measured using three generally accepted parameters: PD, EAD and LGD. For a given credit facility, the product of these three parameters results in the expected loss. These parameters are the basis for the majority of our internal measures of credit risk, and key inputs for regulatory capital calculation under the advanced internal ratings-based (A-IRB) approach of the Basel III framework. We also use models to derive the portfolio credit risk measures of expected loss, statistical loss and stress loss. ▲

The "Key features of our main credit risk models" table on the next page shows the number and key features of the models we use to derive PD, LGD and EAD for our main portfolios and asset classes, and is followed by more detailed explanations of these models and parameters.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about the regulatory capital calculation under the advanced internal ratings-based approach**

## Key features of our main credit risk models

| | Portfolio in scope | Asset class | Model approach | Number of main models | Main drivers | Number of years of loss data[1] |
|---|---|---|---|---|---|---|
| Probability of default | Sovereigns and central banks | Central governments and central banks | Scorecard | 1 | Political, institutional and economic indicators | >10 |
| | Owner-occupied mortgages in Switzerland and the US | Retail: residential mortgages | Scorecard | 2 | Behavioral data, affordability relative to income, property type, loan-to-value. Separate models for mortgages in Switzerland and the US | 27 |
| | Income-producing real estate mortgages | Retail: residential mortgages, Corporates: specialized lending | Scorecard | 1 | Loan-to-value, debt service coverage, financial data (for large corporates only), behavioral data. Weights of risk drivers differ between corporate and private clients | 27 |
| | Lombard lending | Retail: other | Merton type | 1 | Loan-to-value, historical asset returns, behavioral data | 15 |
| | Small and medium-sized enterprises | Corporates: other lending | Scorecard | 1 | Financial data including balance sheet ratios and profit and loss, behavioral data. Weights of risk drivers differ depending on the corporate client sub-segment | 27 |
| | Credit cards in Switzerland | Retail: qualifying revolving retail and other retail, Corporates: other lending | Scorecard | 1 | Client type and characteristics (revolver, transactor, new client, dormant client), and behavioral data | 14 |
| | Banks | Banks and securities dealers | Scorecard | 4 | Financial data including balance sheet ratios and profit and loss. Separate models for banks – developed markets, banks – emerging markets, broker-dealers and investment banks, and private banks | 14 |
| | Commodity traders | Corporates: specialized lending | Scorecard | 1 | Financial data including balance sheet ratios and profit and loss, as well as non-financial criteria | 23 |
| | Aircraft financing | Corporates: other lending | Scorecard | 1 | Loan-to-value, AuM, strength of legal framework of source of wealth, and behavioral factors | 15 |
| | Large corporates | Corporates: other lending | Scorecard / market data | 3 | Financial data including balance sheet ratios and profit and loss, and market data. Separate rating tools for corporates with publicly traded and highly liquid stocks (market intelligence tool), private corporates, and leveraged corporates | 14 |
| | Other portfolios | Corporates: other lending, Public-sector entities and multi-lateral development banks | Scorecard / pooled rating approach / rating template | 9 | Financial data and/or historical portfolio performance for pooled ratings. Separate models for hedge funds, managed funds, insurance companies, commercial real estate loans, debt REITs, mortgage originators, public-sector entities and multi-lateral development banks / supranationals | 14 |
| Loss given default | Owner-occupied mortgages in Switzerland and the US | Retail: residential mortgages | Statistical model | 2 | Loan-to-value, time since last valuation. Separate models for mortgages in Switzerland and the US | 11 |
| | Income-producing real estate mortgages | Retail: residential mortgages, Corporates: specialized lending | Statistical model | 1 | Loan-to-value, time since last valuation, property type, location indicator | 11 |
| | Lombard lending | Retail: other | Statistical model, simulation | 1 | Historical observed loss rates | 13 |
| | Small and medium-sized enterprises | Corporates: other lending | Statistical model | 2 | Separate models for mortgage and non-mortgage LGDs. Mortgage models: loan-to-value, time since last valuation, property type, location indicator. Non-mortgage models: historical observed loss rates | 11–17 |
| | Investment Bank – all counterparties | Across the asset classes | Statistical model | 2 | Counterparty and facility specific, including industry segment, collateral, seniority, legal environment and bankruptcy procedures. Specific model for sovereign LGDs based on econometric modeling of past default events using GDP per capita, government debt, and other quantitative and qualitative factors such as the share of multi-lateral debt service, the size of the banking sector and institutional quality | 5–10 |
| Exposure at default | Banking products | Across the asset classes | Statistical model | 3 | Separate models based on exposure type (committed credit lines, revocable credit lines, contingent products) | >10 |
| | Traded products | Across the asset classes | Statistical model | 2 | Product-specific market drivers, e.g., interest rates. Separate models for OTC derivatives, ETDs and SFTs that generate the simulation of risk factors used for the credit exposure measure | n/a |

1 For sovereign and Investment Bank PD models, the length of internal portfolio history is shown in "Number of years of loss data."

Audited |

## Internal UBS rating scale and mapping of external ratings

| Internal UBS rating | 1-year PD range in % | Description | Moody's Investors Service mapping | S&P mapping | Fitch mapping |
|---|---|---|---|---|---|
| 0 and 1 | 0.00–0.02 | Investment grade | Aaa | AAA | AAA |
| 2 | 0.02–0.05 | | Aa1 to Aa3 | AA+ to AA– | AA+ to AA– |
| 3 | 0.05–0.12 | | A1 to A3 | A+ to A– | A+ to A– |
| 4 | 0.12–0.25 | | Baa1 to Baa2 | BBB+ to BBB | BBB+ to BBB |
| 5 | 0.25–0.50 | | Baa3 | BBB– | BBB– |
| 6 | 0.50–0.80 | Sub-investment grade | Ba1 | BB+ | BB+ |
| 7 | 0.80–1.30 | | Ba2 | BB | BB |
| 8 | 1.30–2.10 | | Ba3 | BB– | BB– |
| 9 | 2.10–3.50 | | B1 | B+ | B+ |
| 10 | 3.50–6.00 | | B2 | B | B |
| 11 | 6.00–10.00 | | B3 | B– | B– |
| 12 | 10.00–17.00 | | Caa1 to Caa3 | | |
| 13 | >17 | | Ca to C | CCC to C | CCC to C |
| Counterparty is in default | Default | Defaulted | | D | D |

### *Probability of default*

PD estimates the likelihood of a counterparty defaulting on its contractual obligations over the next 12 months. PD ratings are used for credit risk measurement and are an important input for determining credit risk approval authorities. For calculating RWA, a three-basis-point PD floor is applied to banks, corporates and retail exposures, as required under the Basel III framework. We apply an eight-basis-point PD floor for Swiss owner-occupied mortgages and a four-basis-point PD floor for Lombard loans.

PD is assessed using rating tools tailored to the various categories of counterparties. Statistically developed scorecards, based on key attributes of the obligor, are used to determine PD for many corporate clients and loans secured by real estate. Where available, market data may also be used to derive the PD for large corporate counterparties. For low-default portfolios, we take into account available relevant external default data when developing rating tools. For Lombard loans, our rating approach uses Merton-type historical return-based model simulations taking into account potential changes in securities collateral value. These categories are also calibrated to our internal credit rating scale (masterscale), designed to ensure a consistent assessment of default probabilities across counterparties. Our masterscale expresses one-year default probabilities determined using our various rating tools by means of distinct classes, with each class incorporating a range of default probabilities. Counterparties move between rating classes as our assessment of their PD changes.

The ratings of major credit rating agencies, and their mapping to our masterscale and internal PD bands, are shown in the "Internal UBS rating scale and mapping of external ratings" table above. For Moody's and S&P, the mapping is based on the long-term average of one-year default rates available from these rating agencies, with Fitch ratings being mapped to the equivalent S&P ratings. For each external rating category, the average default rate is compared with our internal PD bands to derive a mapping to our internal rating scale. Our internal rating of a counterparty may thus diverge from one or more of the correlated external ratings shown in the table. Observed defaults by rating agencies may vary through economic cycles, and we do not necessarily expect the actual number of defaults in our equivalent rating band to equal the rating agencies' average in any given period. We periodically assess the long-term average default rates of credit rating agencies' ratings and adjust their mapping to our masterscale as needed to reflect any material changes.

### *Exposure at default*

EAD is the amount we expect to be owed by a counterparty at the time of possible default. We derive EAD from current exposure to the counterparty and possible future exposure development.

The EAD of an on-balance sheet loan is its notional amount. For off-balance sheet commitments that are not drawn, credit conversion factors (CCFs) are used in order to obtain an expected on-balance sheet amount. Such CCFs are based on historical observations. To comply with regulatory guidance, we floor individual observed CCF values at zero in the CCF model; i.e., we assume that the drawn EAD will be no less than the drawn amount one year prior to default.

For traded products, we derive EAD by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. We assess the net amount that may be owed to us or that we may owe to others, taking into account the effect of market movements over the potential time it would take to close out positions. For ETDs, calculation of EAD takes into account collateral margin calls. When measuring individual counterparty exposure against credit limits, we consider the maximum likely exposure measured to a high level of confidence. However, when aggregating exposures to different counterparties for portfolio risk measurement purposes, we use the expected exposure to each counterparty at a given time period (usually one year) generated by the same model.

We assess exposures where there is a material correlation between the factors driving the credit quality of the counterparty and those driving the potential future value of our traded products exposure (wrong-way risk), and we have established specific controls to mitigate such risks.

*Loss given default*

LGD is the magnitude of the likely loss if there is a default. Our LGD estimates, which consider downturn conditions, include loss of principal, interest and other amounts (such as workout costs, including the cost of carrying an impaired position during the workout process) less recovered amounts. We determine LGD based on the likely recovery rate of claims against defaulted counterparties, which depends on the type of counterparty and any credit mitigation due to collateral or guarantees. Our estimates are supported by internal loss data and external information, where available. If we hold collateral, such as marketable securities or a mortgage on a property, LTV ratios are typically a key parameter in determining LGD. For low-default portfolios, where available, we take into account relevant external default data in the rating tool development. In RWA calculation, a regulatory LGD floor of 10% is applied for exposures secured by residential properties. Additionally, we apply a 25% LGD floor for Lombard loans in Global Wealth Management outside Region Americas and a 20% LGD floor for Lombard loans in Global Wealth Management Region Americas. All other LGDs are subject to a 5% floor.

*Expected loss*

Credit losses are an inherent cost of doing business and the occurrence and amount of credit losses can be erratic. We use the concept of expected loss to quantify future credit losses that may be implicit in our current portfolio. The expected loss for a given credit facility is a product of the three components described above, i.e., PD, EAD and LGD. We aggregate the expected loss for individual counterparties to derive expected portfolio credit losses.

Expected loss (EL) for regulatory and internal risk control purposes is a statistical measure used to estimate the average annual costs we expect to experience from positions that become impaired. EL is the basis for quantifying credit risk in all our portfolios. We use a statistical modeling approach to estimate the loss profile of each of our credit portfolios over a one-year period to a specified level of confidence. The mean value of this loss distribution is the expected loss. EL provides an indication of the level of risk in our portfolio and it may change over time. Some parameters have to be estimated on a conservative basis in order to meet the regulatory requirements for banks applying the internal ratings-based approach to determine RWA.

### IFRS 9 – ECL credit risk models

*Comparison of Basel III EL and IFRS 9 ECL credit risk models*

The IFRS 9 expected credit loss (ECL) concept has a number of key differences from our standard credit risk models, both in the loss estimation process and the result thereof. Most notably, regulatory Basel III EL parameters are through-the-cycle / downturn estimates, which might include a margin of conservatism, while IFRS 9 ECL parameters are typically point-in-time, reflecting current economic conditions and future outlook. The table on the next page summarizes the main differences. Stage 1 and 2 ECL releases in 2021 were USD 123 million and respective allowances and provisions as of 31 December 2021 were USD 503 million. This includes ECL allowances and provisions of USD 436 million related to positions under the Basel III advanced internal ratings-based approach. Basel III EL for non-defaulted positions increased by USD 34 million to USD 919 million.

› **Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section of this report for more information about our accounting policy for allowances and provisions for ECL including key definitions relevant for the ECL calculation under IFRS 9**

*Expected credit loss*

ECL are defined as the difference between contractual cash flows and those UBS expects to receive, discounted at the effective interest rate (EIR). For loan commitments and other credit facilities in scope of ECL requirements, expected cash shortfalls are determined by considering expected future drawdowns. Rather than focusing on an average through-the-cycle expected annual loss, the purpose of ECL is to estimate the amount of losses inherent in a portfolio based on current conditions and future outlook (a point-in-time measure), whereby such a forecast has to include all information available without undue cost and effort, and address multiple scenarios where there is perceived non-linearity between changes in economic conditions and their effect on credit losses. From a credit risk modeling perspective, ECL parameters are generally derivations of the factors assessed for regulatory Basel III EL.

The table below shows the main differences between the two expected loss measures.

| | Basel III EL (advanced internal ratings-based approach) | IFRS 9 ECL |
|---|---|---|
| **Scope** | The Basel III advanced internal ratings-based (A-IRB) approach applies to most credit risk exposures. It includes transactions measured at amortized cost, at fair value through profit or loss and at fair value through OCI, including loan commitments and financial guarantees. | The IFRS 9 ECL calculation mainly applies to financial assets measured at amortized cost and debt instruments measured at fair value through OCI, as well as loan commitments and financial guarantees not at fair value through profit or loss. |
| **12-month versus lifetime expected loss** | The Basel III A-IRB approach takes into account expected losses resulting from expected default events occurring within the next 12 months. | In the absence of a significant increase in credit risk (SICR), a maximum 12-month ECL is recognized to reflect lifetime cash shortfalls that will result if a default event occurs in the 12 months after the reporting date (or a shorter period if the expected lifetime is less). Once an SICR event has occurred, a lifetime ECL is recognized considering expected default events over the life of the transaction. |
| **Exposure at default (EAD)** | EAD is the amount we expect a counterparty to owe us at the time of a possible default. For banking products, EAD equals book value as of the reporting date; for traded products, such as securities financing transactions, EAD is modeled. EAD is expected to remain constant over a 12-month period. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the 12-month period, irrespective of the actual maturity of a particular transaction. The credit conversion factor includes downturn adjustments. | EAD is generally calculated on the basis of the cash flows that are expected to be outstanding at the individual points in time during the life of the transaction, discounted to the reporting date using the effective interest rate. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the life of the transaction without including downturn assumptions. In both cases, the time period is capped at 12 months, unless an SICR has occurred. |
| **Probability of default (PD)** | PD estimates are determined on a through-the-cycle (TTC) basis. They represent historical average PDs, taking into account observed losses over a prolonged historical period, and therefore are less sensitive to movements in the underlying economy. | PD estimates will be determined on a point-in-time (PIT) basis, based on current conditions and incorporating forecasts for future economic conditions at the reporting date. |
| **Loss given default (LGD)** | LGD includes prudential adjustments, such as downturn LGD assumptions and floors. Similar to PD, LGD is determined on a TTC basis. | LGD should reflect the losses that are reasonably expected and prudential adjustments should therefore not be applied. Similar to PD, LGD is determined on the basis of a PIT approach. |
| **Use of scenarios** | n / a | Multiple forward-looking scenarios have to be taken into account to determine a probability-weighted ECL. |

## Further key aspects of credit risk models

### *Stress loss*

We complement our statistical modeling approach with scenario-based stress loss measures. Stress tests are run regularly to monitor potential effects of extreme, but nevertheless plausible, events on our portfolios, under which key credit risk parameters are assumed to deteriorate substantially. Where we consider it appropriate, we apply limits on this basis.

Stress scenarios and methodologies are tailored to portfolios' natures, ranging from regionally focused to global systemic events, and varying in time horizon. For example, for our loan underwriting portfolio, we apply a global market event under which, simultaneously, the market for loan syndication freezes, market conditions significantly worsen, and credit quality deteriorates. Similarly, for Lombard lending we use a range of scenarios representing instantaneous market shocks to all collateral and exposure positions, taking into consideration liquidity and potential concentration. The portfolio-specific stress test for our mortgage lending business in Switzerland reflects a multi-year event, and the overarching stress test for global wholesale and CCR exposure to corporations uses a one-year global stress event and takes into account exposure concentration to single counterparties.

› **Refer to "Stress testing" in this section for more information about our stress testing framework**

*Credit risk model confirmation*

Our approach to model confirmation involves both quantitative methods, e.g., monitoring compositional changes in portfolios and results of backtesting, and qualitative assessments, such as feedback from users on model output as a practical indicator of a model's performance and reliability.

Material changes in portfolio composition may invalidate the conceptual soundness of a model. We therefore perform regular analyses of the evolution of portfolios to identify such changes in the structure and credit quality of portfolios. This includes analyses of changes in key attributes, changes in portfolio concentration measures and changes in RWA.

› **Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures**

*Backtesting*

We monitor the performance of models by backtesting and benchmarking them, with model outcomes compared with actual results, based on our internal experience and externally observed results. To assess the predictive power of credit exposure models for traded products, such as OTC derivatives and ETD products, we statistically compare predicted future exposure distributions at different forecast horizons with realized values.

For PD, we use statistical modeling to derive a predicted distribution of the number of defaults. The observed number of defaults is compared with this distribution, letting us derive a statistical level of confidence in the model conservatism. We also derive a lower and upper limit for the average default rate. If the portfolio average PD lies outside the derived interval, the rating tool is, as a general rule, recalibrated.

For LGD, backtesting statistically tests whether the mean difference between the observed and predicted LGD is zero. If the test fails, there is evidence that our predicted LGD is too low. In such cases, and where these differences are outside expectations, models are recalibrated.

**Main credit risk models backtesting by regulatory asset class**

| | Length of time series used for the calibration (in years) | Actual rates in % | | | Estimated average rates at the start of 2021 in % |
|---|---|---|---|---|---|
| | | Average of last 5 years[1] | Min. of last 5 years[2] | Max. of last 5 years[2] | |
| Probability of default[3] | | | | | |
| Central governments and central banks | >10[4] | 0.00 | 0.00 | 0.00 | 0.22 |
| Banks and securities dealers | >10 | 0.13 | 0.00 | 0.53 | 0.69 |
| Public-sector entities, multi-lateral development banks | >10 | 0.04 | 0.00 | 0.21 | 0.21 |
| Corporates: specialized lending | >10 | 0.36 | 0.14 | 0.60 | 1.24 |
| Corporates: other lending | >10 | 0.27 | 0.20 | 0.33 | 0.46 |
| Retail: residential mortgages | >20 | 0.22 | 0.16 | 0.28 | 0.54 |
| Retail: other | >10 | 0.02 | 0.00 | 0.10 | 0.25 |
| Loss given default | | | | | |
| Central governments and central banks | >10 | | | | 42.49 |
| Banks and securities dealers | >10 | | | | 48.69 |
| Public-sector entities, multi-lateral development banks | >10 | | | | 24.55 |
| Corporates: specialized lending | >10 | 0.19 | 0.00 | 0.92 | 22.77 |
| Corporates: other lending | >10 | 18.12 | 0.46 | 27.00 | 38.28 |
| Retail: residential mortgages | >20 | 0.58 | 0.00 | 0.92 | 21.34 |
| Retail: other | >10 | 1.77 | 0.00 | 17.90 | 26.64 |
| Credit conversion factors | | | | | |
| Corporates | >10 | 21.06 | 6.93 | 37.91 | 38.72 |

1 Average of all observations over the last five years. 2 Minimum / maximum annual average of observations in any single year from the last five years. Yearly averages are only calculated where five or more observations occurred during that year. 3 Average PD estimation is based on all rated clients in the portfolio. 4 Sovereign PD model is calibrated to UBS masterscale, length of time series shows span of internal history for this portfolio.

CCFs, used for the calculation of EAD for undrawn facilities with corporate counterparties, are dependent on several credit facility contractual dimensions. We compare the predicted amount drawn with observed historical use of such facilities by defaulted counterparties. If any statistically significant deviation is observed, the relevant CCFs are redefined.

The "Main credit risk models backtesting by regulatory asset class" table on the previous page compares the current model calibration for PD, LGD and CCFs with historical observed values over the last five years.

*Changes to models and model parameters during the period*

As part of our continuous efforts to enhance models to reflect market developments and newly available data, we updated several models in 2021.

In Personal & Corporate Banking, we introduced a new model for credit card exposures, new rating models for the public-sector entities portfolio and a new LGD and CCF model for the industrial goods leasing portfolio.

In Global Wealth Management, a new model was introduced for the aircraft financing portfolio.

For the income-producing real estate mortgages, we recalibrated the risk parameters and for mortgages in Switzerland, we updated the LGD model.

In the Investment Bank, a new LGD model for leveraged finance was introduced and the multi-nationals and financials LGD was recalibrated.

In Group Functions, we extended the use of internal Group models to the sovereign portfolio of the Group Liquidity Reserve (GLR). Additionally, further exposures in GLR (e.g., covered bonds) have been moved to the standardized approach.

For CCR models, we recalibrated the market parameters in the SFT model. The transition from LIBOR required a number of model changes for CCR models, for traded products to be able to consume the new alternative reference rate curves.

Where required, changes to models and model parameters were approved by FINMA before being made.

› **Refer to "Risk-weighted assets" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the effect of the changes to models and model parameters on credit risk RWA**

*Future credit risk-related regulatory capital developments*

In December 2017, the Basel Committee on Banking Supervision (the BCBS) announced the finalization of the Basel III framework, with an implementation date of 1 January 2023. We expect the Swiss regulations to come into force in 2024. The updated framework makes a number of revisions to the internal ratings-based (IRB) approaches, namely: (i) removing the option of using the A-IRB approach for certain asset classes (including large and medium-sized corporate clients, and banks and other financial institutions); (ii) placing floors on certain model inputs under the IRB approach, e.g., PD and LGD; and (iii) introducing various requirements to reduce RWA variability (e.g., for LGD).

The published framework has a number of requirements that are subject to national discretion. Also, revisions to the credit valuation adjustment (CVA) framework were published, including the removal of the advanced CVA approach. UBS has a close dialogue with FINMA to discuss in detail the implementation objectives and prepare for a smooth transition of the capital regime for credit risk.

› **Refer to "Capital management objectives, planning and activities" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the development of RWA**

› **Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures**

› **Refer to the "Regulatory and legal developments" and "Risk factors" sections of this report for more information**

## Credit policies for distressed assets

The "Exposure categorization" chart on the next page shows how we categorize banking products and securities financing transactions as non-performing, defaulted / credit-impaired and purchased or originated credit-impaired.

### Non-performing

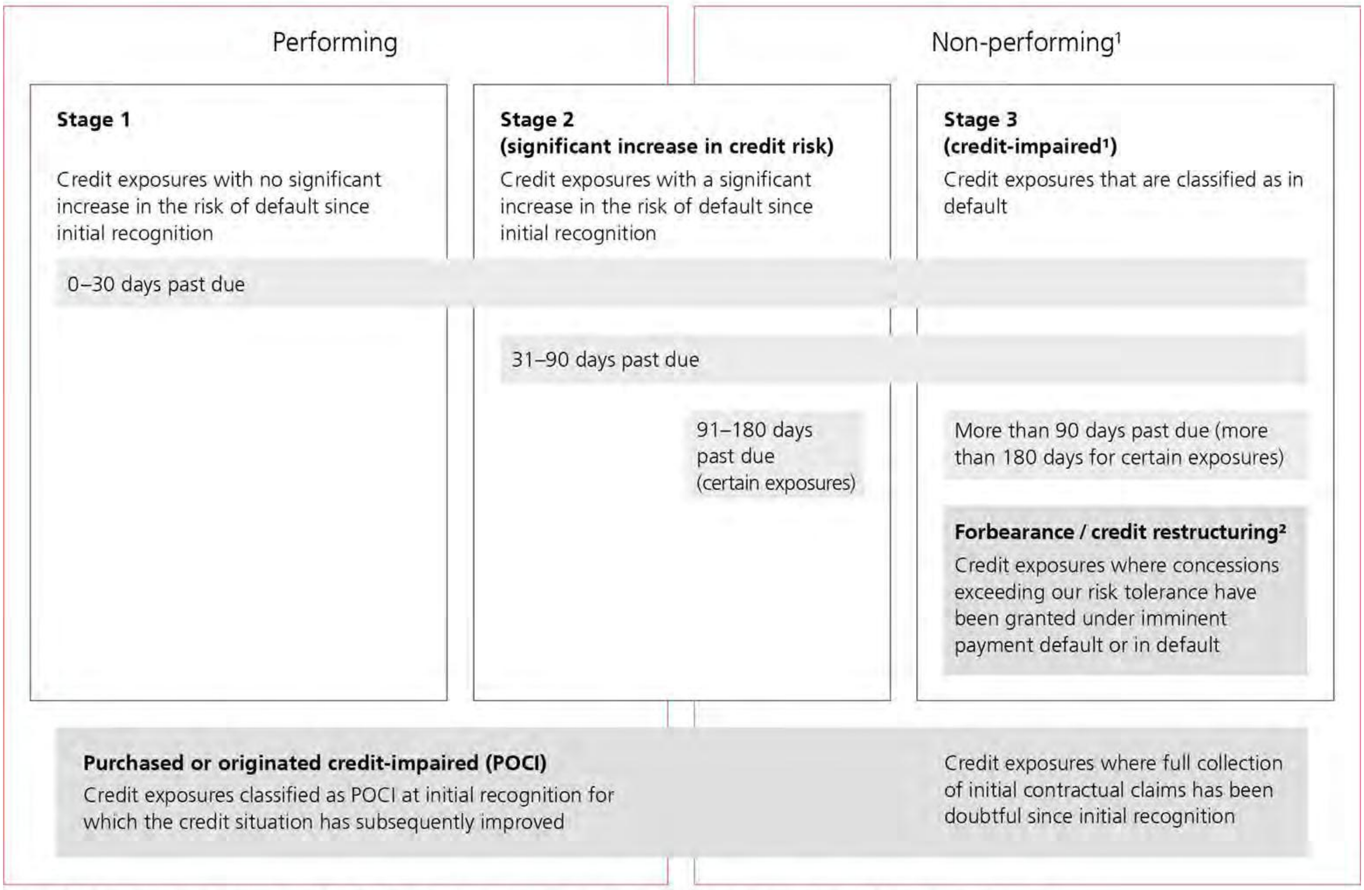
Audited | In line with the regulatory definition, we report a claim as non-performing when: (i) it is more than 90 days past due; (ii) it is subject to restructuring proceedings, where preferential conditions concerning interest rates, subordination, tenor, etc. have been granted in order to avoid default of the counterparty (forbearance); (iii) the counterparty is subject to bankruptcy / enforced liquidation proceedings in any form, even if there is sufficient collateral to cover the due payment; or (iv) there is other evidence that payment obligations will not be fully met without recourse to collateral.

### Default and credit-impaired

UBS uses a single definition of default for classifying assets and determining the PD of its obligors for risk modeling purposes. The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted when material payments of interest, principal or fees are overdue for more than 90 days, or more than 180 days for certain exposures in relation to loans to private and commercial clients in Personal & Corporate Banking and to private clients of Global Wealth Management Region Switzerland. UBS does not consider the general 90-day presumption for default recognition appropriate for those portfolios, given the cure rates, which show that strict application of the 90-day criterion would not accurately reflect the inherent credit risk. Counterparties are also classified as defaulted when: bankruptcy, insolvency proceedings or enforced liquidation have commenced; obligations have been restructured on preferential terms (forbearance); or there is other evidence that payment obligations will not be fully met without recourse to collateral. The latter may be the case even if, to date, all contractual payments have been made when due. If one claim against a counterparty is defaulted on, generally all claims against the counterparty are treated as defaulted.

An instrument is classified as credit-impaired if the counterparty is classified as defaulted and / or the instrument is identified as purchased or originated credit-impaired (POCI). An instrument is POCI if it has been purchased at a deep discount to its carrying amount following a risk event of the issuer or originated with a defaulted counterparty. Once a financial asset is classified as defaulted / credit-impaired (except POCI), it is reported as a stage 3 instrument and remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit-restructured, and there is general evidence of credit recovery. A three-month probation period is applied before a transfer back to stages 1 or 2 can be triggered. However, most instruments remain in stage 3 for a longer period. As of 31 December 2021, we had no instruments classified as POCI on our books.

**Exposure categorization**




1 Excluding purchased or originated credit-impaired instruments. 2 May include purchased or originated credit-impaired instruments.

## Forbearance (credit restructuring)

Audited | If payment default is imminent or default has already occurred, we may grant concessions to borrowers in financial difficulties that we would otherwise not consider in the normal course of business, such as offering preferential interest rates, extending maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc. When a forbearance measure takes place, each case is considered individually and the exposure is generally classified as defaulted. Forbearance classification remains until the loan is repaid or written off, non-preferential conditions are granted that supersede the preferential conditions, or the counterparty has recovered and the preferential conditions no longer exceed our risk tolerance.

Contractual adjustments when there is no evidence of imminent payment default, or where changes to terms and conditions are within our usual risk tolerance, are not considered to be forborne. ▲

## Loss history statistics

An instrument is classified as credit-impaired if the counterparty has defaulted. This also includes credit-impaired exposures for which no loss has occurred or for which no allowance has been recognized (for example because we expect to fully recover the exposures via collateral held).

The "Loss history statistics" table below provides a five-year history of credit loss experience for loans and advances to banks and customers, and ratios of those credit losses relative to credit-impaired and non-performing loans and advances to banks and customers. For 2017, the amounts are based on IAS 37 and IAS 39; for 2018 and onward, the amounts are based on IFRS 9.

› **The majority of the credit-impaired exposure relates to loans and advances in our Swiss domestic business. Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about ECL measurement**

› **Refer to "Note 14a Other financial assets measured at amortized cost" in the "Consolidated financial statements" section of this report for more details**

### Loss history statistics

| *USD million, except where indicated* | 31.12.21 IFRS 9 | 31.12.20 IFRS 9 | 31.12.19 IFRS 9 | 31.12.18 IFRS 9 | 31.12.17 IAS 37, IAS 39 |
|---|---|---|---|---|---|
| Loans and advances to banks and customers (gross) | 414,099 | 396,049 | 340,003 | 338,000 | 342,604 |
| Credit-impaired loans and advances to banks and customers | 2,150 | 2,945 | 2,309 | 2,300 | 1,104 |
| Non-performing loans and advances to banks and customers | 2,387 | 3,176 | 2,466 | 2,419 | 2,149 |
| ECL allowances and provisions for credit losses[1,2] | 1,165 | 1,468 | 1,029 | 1,054 | 712 |
| *of which: allowances for loans and advances to banks and customers[1]* | *857* | *1,076* | *770* | *780* | *678* |
| Write-offs | 137 | 356 | 142 | 210 | 101 |
| *of which: write-offs for loans and advances to banks and customers* | *118* | *348* | *122* | *192* | *101* |
| Credit loss (expense) / release[3] | 148 | (694) | (78) | (118) | (131) |
| Ratios | | | | | |
| Credit-impaired loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.5 | 0.7 | 0.7 | 0.7 | 0.3 |
| Non-performing loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.6 | 0.8 | 0.7 | 0.7 | 0.6 |
| ECL allowances for loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 |
| Write-offs as a percentage of average loans and advances to banks and customers (gross) outstanding during the period | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 |

1 Includes collective loan loss allowances for 31 December 2017. Until 31 December 2017 did not include allowances for other receivables (USD 19 million). 2 Includes provisions for ECL of guarantees and loan commitments and allowances for securities financing transactions. 3 Includes credit loss (expense) / release for other financial assets at amortized cost, guarantees, loan commitments, and securities financing transactions.

# Market risk

## Key developments

Market risk remained at low levels as a result of our continued focus on managing tail risks. Average management value-at-risk (VaR) (1-day, 95% confidence level) decreased to USD 11 million from USD 13 million in 2020, mainly as a result of the Investment Bank's equities trading business. The number of negative backtesting exceptions within a 250-business-day window increased to 4 from 3 by the end of 2021. As these backtesting exceptions remained below 5, the FINMA VaR multiplier for market risk RWA remained unchanged at 3.0 as of 31 December 2021.

## Audited | Main sources of market risk

Market risks arise from both trading and non-trading business activities.

- Trading market risks are mainly connected with primary debt and equity underwriting and securities and derivatives trading for market-making and client facilitation in our Investment Bank, as well as the remaining positions in Non-core and Legacy Portfolio in Group Functions and our municipal securities trading business in Global Wealth Management.
- Non-trading market risks arise predominantly in the form of interest rate and foreign exchange risks connected with personal banking and lending in our wealth management business, our Swiss personal and corporate banking business, the Investment Bank's lending business, and treasury activities.
- Group Treasury assumes market risks in the process of managing interest rate risk, structural foreign exchange risk and the Group's liquidity and funding profile, including HQLA.
- Equity and debt investments can also give rise to market risks, as can some aspects of employee benefits, such as defined benefit pension schemes. ▲

## Audited | Overview of measurement, monitoring and management techniques

- Market risk limits are set for the Group, the business divisions, Group Treasury and Non-core and Legacy Portfolio at granular levels in the various business lines, reflecting the nature and magnitude of the market risks.
- Management VaR measures exposures under the market risk framework, including trading market risks and some non-trading market risks. Non-trading market risks not included in VaR are also covered in the risks controlled by Market & Treasury Risk Control, as set out below.
- Our primary portfolio measures of market risk are liquidity-adjusted stress (LAS) loss and VaR. Both are common to all business divisions and subject to limits that are approved by the Board of Directors (the BoD).
- These measures are complemented by concentration and granular limits for general and specific market risk factors. Our trading businesses are subject to multiple market risk limits, which take into account the extent of market liquidity and volatility, available operational capacity, valuation uncertainty and, for our single-name exposures, issuer credit quality.
- Trading market risks are managed on an integrated basis at portfolio level. As risk factor sensitivities change due to new transactions, transaction expiries or changes in market levels, risk factors are dynamically rehedged to remain within limits. Thus we do not generally seek to distinguish in the trading portfolio between specific positions and associated hedges.
- Issuer risk is controlled by limits applied at business division level based on jump-to-zero measures, which estimate maximum default exposure (the default event loss assuming zero recovery).
- Non-trading foreign exchange risks are managed under market risk limits, with the exception of Group Treasury management of consolidated capital activity.

Our Market & Treasury Risk Control function applies a holistic risk framework, setting the appetite for treasury-related risk-taking activities across the Group. A key element of the framework is an overarching economic value sensitivity limit, set by the BoD. This limit is linked to the level of Basel III common equity tier 1 (CET1) capital, and takes into account risks arising from interest rates, foreign exchange and credit spreads. Also, the sensitivity of net interest income to changes in interest rates is monitored against targets set by the Group CEO, so as to analyze the outlook and volatility of net interest income based on market-expected interest rates. Limits are also set by the BoD to balance the effect of foreign exchange movements on our CET1 capital and CET1 capital ratio. Non-trading interest rate and foreign exchange risks are included in Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

Equity and debt investments are subject to a range of risk controls, including preapproval of new investments by business management and Risk Control and regular monitoring and reporting. They are also included in Group-wide statistical and stress testing metrics. ▲

› **Refer to "Currency management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about Group Treasury's management of foreign exchange risks**

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the sensitivity of our CET1 capital and CET1 capital ratio to currency movements**

## Market risk stress loss

We measure and manage market risks through a comprehensive framework of non-statistical measures and related limits, as well as VaR. This includes an extensive set of stress tests and scenario analyses, continuously evaluated to ensure that losses resulting from an extreme yet plausible event do not exceed our risk appetite.

### Liquidity-adjusted stress

LAS is our primary stress loss measure for Group-wide market risk. The LAS framework captures the economic losses that could arise under specified stress scenarios. This is partially done by replacing the standard 1-day and 10-day holding period assumptions used for management and regulatory VaR with liquidity-adjusted holding periods, as explained below. Shocks are applied to positions based on expected market movements in the liquidity-adjusted holding periods resulting from the specified scenario.

The holding periods used for LAS are calibrated to reflect the time needed to reduce or hedge the risk of positions in each major risk factor in a stressed environment, assuming maximum utilization of the relevant position limits. We apply minimum holding periods, regardless of observed liquidity levels, as identification of and reaction to a crisis may not always be immediate.

The expected market movements are derived using historical market behavior (based on analysis of historical events) and forward-looking analysis including consideration of defined scenarios that have not occurred in the past.

LAS-based limits apply at several levels: Group, business division, Group Treasury and Non-core and Legacy Portfolio; business area; and sub-portfolio. LAS is also the core market risk component of our combined stress test framework and therefore integral to our overall risk appetite framework.

› **Refer to "Risk appetite framework" in this section for more information**

› **Refer to "Stress testing" in this section for more information about our stress testing framework**

## Value-at-risk

### VaR definition

Audited | VaR is a statistical measure of market risk, representing the potential market risk losses over a set time horizon (holding period) at an established level of confidence. VaR assumes no change in the Group's trading positions over the set time horizon.

We calculate VaR daily. The profit or loss distribution VaR is derived from our internally developed VaR model, which simulates returns over the holding period for those risk factors our trading positions are sensitive to, and subsequently quantifies the profit / loss effect of these risk factor returns on trading positions. Risk factor returns associated with general interest rate, foreign exchange and commodities risk factor classes are based on a pure historical simulation approach, using a five-year look-back window. Risk factor returns for selected issuer-based risk factors, e.g., equity price and credit spreads, are split into systematic and residual issuer-specific components using a factor model approach. Systematic returns are based on historical simulation, and residual returns on a Monte Carlo simulation. VaR model profit or loss distribution is derived from the sum of systematic and residual returns in such a way that we consistently capture systematic and residual risk. Correlations among risk factors are implicitly captured via a historical simulation approach. When modeling risk factor returns we consider the stationarity properties of the historical time series of risk factor changes. Depending on the stationarity properties of the risk factors within a given factor class, we model the factor returns using absolute returns or logarithmic returns. Risk factor return distributions are updated fortnightly.

Our VaR model does not have full revaluation capability, but we source full revaluation grids and sensitivities from front-office systems, enabling us to capture material non-linear profit or loss effects.

We use a single VaR model for both internal management purposes and determining market risk RWA, although we consider different confidence levels and time horizons. For internal management purposes, we establish risk limits and measure exposures using VaR at a 95% confidence level with a 1-day holding period, aligned to the way we consider the risks associated with our trading activities. The regulatory measure of market risk used to underpin the market risk capital requirement under Basel III requires a measure equivalent to a 99% confidence level using a 10-day holding period. To calculate a 10-day holding period VaR, we use 10-day risk factor returns, with all observations equally weighted.

Additionally, the portfolio population for management and regulatory VaR is slightly different. The one for regulatory VaR meets regulatory requirements for inclusion in regulatory VaR. Management VaR includes a broader range of positions. For example, regulatory VaR excludes credit spread risks from the securitization portfolio, which are treated instead under the securitization approach for regulatory purposes.

We also use stressed VaR (SVaR) for the calculation of market risk RWA. SVaR uses broadly the same methodology as regulatory VaR and is calculated using the same population, holding period (10-day) and confidence level (99%). Unlike regulatory VaR, the historical data set for SVaR is not limited to five years, instead covering from 1 January 2007 to the present. In deriving SVaR, we seek the largest 10-day holding period VaR for the current Group portfolio across all one-year look-back windows from 1 January 2007 to the present. SVaR is computed weekly. ▲

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about the regulatory capital calculation under the advanced internal ratings-based approach**

### Management VaR for the period

The tables below show minimum, maximum, average and period-end management VaR by business division and Group Functions, and by general market risk type. We continued to maintain management VaR at low levels, with average VaR decreasing to USD 11 million from USD 13 million in 2020.

Audited |

**Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of our business divisions and Group Functions by general market risk type[1]**

| | For the year ended 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million* | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
| | Min. | | | | 1 | 7 | 5 | 1 | 2 |
| | | Max. | | | 35 | 13 | 11 | 9 | 5 |
| | | | Average | | 7 | 9 | 7 | 3 | 3 |
| | | | | 31.12.21 | 8 | 11 | 7 | 6 | 3 |
| Total management VaR, Group | 4 | 36 | 11 | 12 | *Average (per business division and risk type)* | | | | |
| Global Wealth Management | 1 | 3 | 1 | 2 | *0* | *1* | *2* | *0* | *0* |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* | *0* |
| Asset Management | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* | *0* |
| Investment Bank | 3 | 36 | 11 | 11 | *7* | *9* | *7* | *3* | *3* |
| Group Functions | 4 | 8 | 5 | 4 | *0* | *4* | *4* | *1* | *0* |
| Diversification effect[2,3] | | | (6) | (5) | *0* | *(5)* | *(5)* | *(1)* | *0* |

| | For the year ended 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million* | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
| | Min. | | | | 3 | 6 | 5 | 2 | 2 |
| | | Max. | | | 29 | 11 | 11 | 7 | 6 |
| | | | Average | | 10 | 8 | 7 | 4 | 4 |
| | | | | 31.12.20 | 6 | 8 | 8 | 3 | 3 |
| Total management VaR, Group | 8 | 31 | 13 | 11 | *Average (per business division and risk type)* | | | | |
| Global Wealth Management | 0 | 2 | 1 | 1 | *0* | *1* | *1* | *0* | *0* |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* | *0* |
| Asset Management | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* | *0* |
| Investment Bank | 7 | 32 | 12 | 10 | *10* | *7* | *6* | *4* | *4* |
| Group Functions | 4 | 7 | 5 | 6 | *0* | *4* | *3* | *1* | *0* |
| Diversification effect[2,3] | | | (5) | (8) | *0* | *(4)* | *(4)* | *(1)* | *0* |

1 Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may well occur on different days, and likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. 2 Difference between the sum of the standalone VaR for the business divisions and Group Functions and the VaR for the Group as a whole. 3 As the minima and maxima for different business divisions and Group Functions occur on different days, it is not meaningful to calculate a portfolio diversification effect.

▲

### VaR limitations

Audited | Actual realized market risk losses may differ from those implied by VaR for a variety of reasons.

- VaR is calibrated to a specified level of confidence and may not indicate potential losses beyond this confidence level.
- The 1-day time horizon used for VaR for internal management purposes (10-day for regulatory VaR) may not fully capture market risk of positions that cannot be closed out or hedged within the specified period.
- In some cases, VaR calculations approximate the effect of changes in risk factors on the values of positions and portfolios. This may happen due to the number of risk factors included in the VaR model needing to be limited.
- Effects of extreme market movements are subject to estimation errors, which may result from non-linear risk sensitivities, and the potential for actual volatility and correlation levels to differ from assumptions implicit in VaR calculations.
- Using a five-year window means sudden increases in market volatility will tend not to increase VaR as quickly as the use of shorter historical observation periods, but such increases will affect VaR for a longer period of time. Similarly, after periods of increased volatility, as markets stabilize, VaR predictions will remain more conservative for a period of time influenced by the length of the historical observation period.

SVaR is subject to the limitations noted for VaR above, but the use of one-year data sets avoids the smoothing effect of the five-year data set used for VaR and the absence of the five-year window gives a longer history of potential loss events. Therefore, although the significant period of stress during the 2007–2009 financial crisis is no longer contained in the historical five-year period used for management and regulatory VaR, SVaR continues to use that data. This approach aims to reduce the procyclicality of the regulatory capital requirements for market risks.

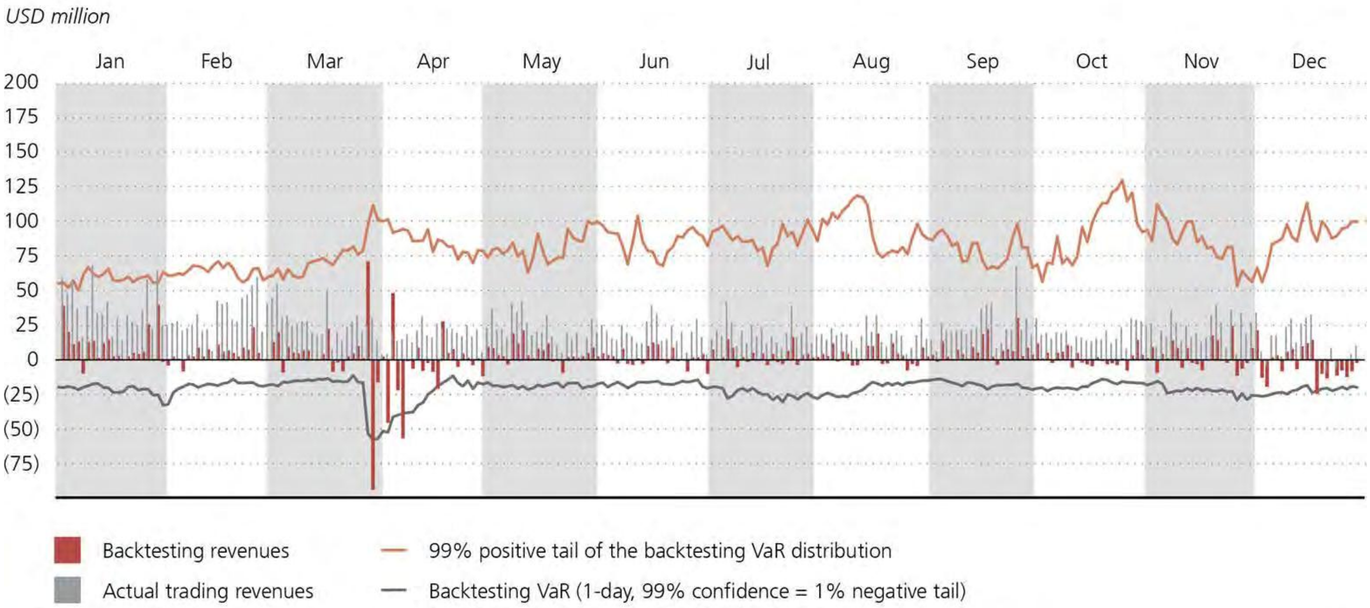
We recognize that no single measure can encompass all risks associated with a position or portfolio. Thus we use a set of metrics with both overlapping and complementary characteristics to create a holistic framework that aims to ensure material completeness of risk identification and measurement. As a statistical aggregate risk measure, VaR supplements our liquidity-adjusted stress and comprehensive stress testing frameworks.

We also have a framework to identify and quantify potential risks not fully captured by our VaR model and refer to such risks as risks not in VaR. The framework underpins these potential risks with regulatory capital, calculated as a multiple of regulatory VaR and stressed VaR. ▲

### Backtesting of VaR

VaR backtesting is a performance measurement process in which a 1-day VaR prediction is compared with the realized 1-day profit or loss (P&L). We compute backtesting VaR using a 99% confidence level and 1-day holding period for the regulatory VaR population. Since 99% VaR at UBS is defined as a risk measure that operates on the lower tail of the P&L distribution, 99% backtesting VaR is a negative number. Backtesting revenues exclude non-trading revenues, such as valuation reserves, fees and commissions, and revenues from intraday trading, to provide for a like-for-like comparison. A backtesting exception occurs when backtesting revenues are lower than the previous day's backtesting VaR.

**Group: development of regulatory backtesting revenues[1] and actual trading revenues[2] against backtesting VaR[3] (1-day, 99% confidence)**




1 Excludes non-trading revenues, such as valuation reserves, commissions and fees, and revenues from intraday trading. 2 Includes backtesting revenues and revenues from intraday trading. 3 Based on Basel III regulatory VaR, excludes CVA positions and their eligible hedges which are subject to the standalone CVA charge.

Statistically, given the 99% confidence level, 2 or 3 backtesting exceptions a year can be expected. More than 4 exceptions could indicate that the VaR model is not performing appropriately, as could too few exceptions over a long period. However, as noted for VaR limitations above, a sudden increase (or decrease) in market volatility relative to the five-year window could lead to a higher (or lower) number of exceptions. Therefore, Group-level backtesting exceptions are investigated, as are exceptional positive backtesting revenues, with the results reported to senior business management, the Group CRO and the Group Chief Market & Treasury Risk Officer. Internal and external auditors and relevant regulators are also informed of backtesting exceptions.

The "Group: development of regulatory backtesting revenues and actual trading revenues against backtesting VaR" chart on the previous page shows the 12-month development of backtesting VaR against the Group's backtesting revenues and actual trading revenues for 2021. The chart shows both the 99% and the 1% backtesting VaR. The asymmetry between the negative and positive tails is due to the long gamma risk profile historically run in the Investment Bank.

The actual trading revenues include backtesting and intraday revenues.

The number of negative backtesting exceptions within a 250-business-day window increased to 4 from 3 by the end of the year. As these backtesting exceptions remained below 5, the FINMA VaR multiplier for market risk RWA remained unchanged at 3.0 as of 31 December 2021.

### VaR model confirmation

As well as for regulatory-purposes backtesting described above, we conduct extended backtesting for internal model confirmation purposes. This includes observing model performance across the entire P&L distribution (not just the tails), and at multiple levels within the business division hierarchies.

› **Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures**

### VaR model developments in 2021

Audited | There were no material changes to the VaR model in 2021. ▲

### Future market risk-related regulatory capital developments

In January 2019, the Basel Committee on Banking Supervision (the BCBS) published the final standards on the minimum capital requirements for market risk (the Fundamental Review of the Trading Book). We do not expect these standards to become mandatory in Switzerland until after the BCBS target effective date of 1 July 2024.

Key elements of the revised market risk framework include: (i) changes to the internal model-based approach, including changes to the model approval and performance measurement process; (ii) changes to the standardized approach with the aim of it being a credible fallback method for an internal model-based approach; and (iii) a revised boundary between trading book and banking book. UBS maintains a close dialogue with FINMA to discuss the implementation objectives in more detail and to provide a smooth transition of the capital regime for market risk.

In September 2021 FINMA mandated UBS to hold an RWA add-on for the omission of time decay in regulatory VaR and SVaR. The add-on reflects the outcome of discussions with FINMA regarding our regulatory VaR model, which started in late 2019. The integration of time decay into the regulatory VaR model, which would replace the add-on, is subject to further discussions between FINMA and UBS.

› **Refer to "Risk-weighted assets" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the development of RWA including the regulatory add-on**
› **Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures**
› **Refer to the "Regulatory and legal developments" and "Risk factors" sections of this report for more information**

## Interest rate risk in the banking book

### Interest rate risk in the banking book disclosure

Our financial reports' interest rate risk in the banking book (IRRBB) disclosure is aligned to the Pillar 3 requirements set by FINMA Circular "2019/2 Interest Rate Risk – Banks," which sets minimum standards for measuring, managing, monitoring and controlling IRRBB. In particular, the economic value of equity (EVE) sensitivity is assessed under the six regulatory rate-shock scenarios set in the FINMA circular, which are currency-specific and not subject to flooring.

### Sources of interest rate risk in the banking book

Audited | IRRBB arises from balance sheet positions such as *Loans and advances to banks*, *Loans and advances to customers*, *Financial assets at fair value not held for trading*, *Financial assets measured at amortized cost*, *Customer deposits*, *Debt issued measured at amortized cost*, and derivatives, including those subject to hedge accounting. Fair value changes to these positions may affect other comprehensive income (OCI) or the income statement, depending on their accounting treatment.

Our largest banking book interest rate exposures arise from customer deposits and lending products in Global Wealth Management and Personal & Corporate Banking. The inherent interest rate risks are generally transferred from Global Wealth Management and Personal & Corporate Banking to Group Treasury, to manage them centrally. This enables the netting of interest rate risks across different sources, while leaving the originating businesses with commercial margin and volume management. The residual interest rate risk is mainly hedged with interest rate swaps, to the vast majority of which we apply hedge accounting. Short-term exposures and high-quality liquid assets classified as *Financial assets at fair value not held for trading* are hedged with derivatives accounted for on a mark-to-market basis. Long-term fixed-rate debt issued is hedged with interest rate swaps designated in fair value hedge accounting relationships.

### Risk management and governance

IRRBB is measured using several metrics, the most relevant of which are the following.

– Interest rate sensitivities to changes in yield curves are calculated as changes in the present value of future cash flows irrespective of accounting treatment. These are also the key risk factors for statistical and stress-based measures, e.g., value-at-risk and stress scenarios (including EVE sensitivity), and are measured and reported daily. EVE sensitivity is the exposure arising from the most adverse regulatory interest rate scenario after netting across currencies. As well as the regulatory measure, we apply an internal EVE sensitivity metric that includes additional tier 1 (AT1) capital instruments and modeled interest rate duration assigned to equity, goodwill and real estate.
– Net interest income (NII) sensitivity assesses NII change over a set time horizon compared with baseline NII, which we internally calculate by assuming interest rates in all currencies develop according to their market-implied forward rates and assuming constant business volumes and no specific management actions. This internally calculated NII sensitivity, which, unlike the FINMA Pillar 3 disclosure requirements, includes the contribution from cash held at central banks, is measured and reported monthly.

We actively manage IRRBB, aiming to reduce the volatility of NII, while keeping the EVE sensitivity within set internal risk limits. EVE and NII sensitivity are monitored against limits and triggers, at consolidated and significant legal entity levels. We also assess the sensitivity of EVE and NII under stressed market conditions by applying a suite of parallel and non-parallel interest rate scenarios, as well as specific economic scenarios.

The Group Asset and Liability Committee (ALCO) and, where relevant, ALCOs at a legal entity level perform independent oversight over the management of IRRBB, which is also subject to Group Internal Audit and model governance.

› **Refer to “Group Internal Audit” in the “Corporate governance” section of this report and to “Risk measurement” in this section for more information**

### Key modeling assumptions

The cash flows from customer deposits and lending products used in calculation of EVE sensitivity exclude commercial margins and other spread components, are aggregated by daily time buckets and are discounted using risk-free rates. Our external issuances are discounted using UBS’s senior debt curve, and capital instruments are modeled to the first call date. NII sensitivity, which includes commercial margins, is calculated over a one-year time horizon, assuming constant balance sheet structure and volumes, and considers the flooring effect of embedded interest rate options.

The average repricing maturity of non-maturing deposits and loans is determined via replication portfolio strategies designed to protect product margin. Optimal replicating portfolios are determined at granular currency- and product-specific levels by simulating and applying a real-world market rate model to historically calibrated client rate and volume models.

We use an econometric prepayment model to forecast prepayment rates on US mortgage loans in UBS Bank USA and agency mortgage-backed securities (MBSs) held in various liquidity portfolios of UBS Americas Holding LLC consolidated. These prepayment rates are used to forecast both mortgage loan and MBS balances under various macroeconomic scenarios. The prepayment model is used for a variety of purposes, including risk management and regulatory stress testing. Swiss mortgages and fixed-term deposits generally do not carry similar optionality, due to prepayment and early redemption penalties. ▲

## Effect of interest rate changes on shareholders' equity and CET1 capital

The "Accounting and capital effect of changes in interest rates" table below shows the effects on shareholders' equity and CET1 capital of gains and losses from changes in interest rates in the main banking book positions. For instruments held at fair value, changes in interest rates result in an immediate fair value gain or loss, recognized either in the income statement or through OCI. Typically, increases in interest rates would lead to immediate reductions in the value of our long-term assets held at fair value, but we would expect such reductions to be offset over time through higher NII on core banking products.

For assets and liabilities measured at amortized cost, changes in interest rates do not result in changes in the carrying amount of the instruments, but could affect the amount of interest income or expense recognized over time in the income statement.

In addition to the differing accounting treatments, banking book positions have different sensitivities to different points on yield curves. For example, portfolios of debt securities, whether measured at amortized cost or at fair value, and interest rate swaps, whether designated as cash flow hedges or transacted as economic hedges, are generally more sensitive to changes in longer-duration interest rates, whereas deposits and a significant portion of loans contributing to NII are more sensitive to short-term rates. These factors are important, as yield curves may not shift on a parallel basis and could, for example, exhibit an initial steepening followed by a flattening over time.

Due to the accounting treatment and yield curve sensitivities outlined above, in a rising rate scenario we would expect to have an initial decrease in shareholders' equity, as a result of fair value losses recognized in OCI. This would be compensated over time by increased NII, as increases in interest rates affect the shorter end of the yield curve in particular. The effect on CET1 capital would be less pronounced, as gains and losses on interest rate swaps designated as cash flow hedges are not recognized for regulatory capital purposes. Fair value losses on instruments designated at fair value should be offset by economic hedges.

### Accounting and capital effect of changes in interest rates[1]

| | Recognition | | Shareholders' equity | | CET1 capital | |
|---|---|---|---|---|---|---|
| | Timing | Income statement / OCI | Gains | Losses | Gains | Losses |
| Loans and deposits at amortized cost[2,3] | Gradual | Income statement | ● | ● | ● | ● |
| Other financial assets and liabilities measured at amortized cost[2] | Gradual | Income statement | ● | ● | ● | ● |
| Debt issued measured at amortized cost[2,3] | Gradual | Income statement | ● | ● | ● | ● |
| Receivables and payables from securities financing transactions[2] | Gradual | Income statement | ● | ● | ● | ● |
| Financial assets at fair value not held for trading | Immediate | Income statement | ● | ● | ● | ● |
| Financial assets at fair value through other comprehensive income | Immediate | OCI | ● | ● | | ● |
| Derivatives designated as cash flow hedges | Immediate | OCI[4] | ● | ● | | |
| Derivatives designated as fair value hedges[5] | Immediate | Income statement | ● | ● | ● | ● |
| Derivatives transacted as economic hedges | Immediate | Income statement | ● | ● | ● | ● |

1 Refer to the "Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital" table in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the differences between shareholders' equity and CET1 capital. 2 For fixed-rate financial instruments, changes in interest rates affect the income statement when these instruments roll over and reprice. 3 For hedge accounted items, a fair value adjustment is applied in line with the treatment of the hedging derivatives. 4 Excluding hedge ineffectiveness that is recognized in the income statement in accordance with IFRS. 5 The fair value of the derivatives is offset by the fair value adjustment of the hedged items. Under the fair value hedge program applied to cross-currency swaps and foreign currency debt, the foreign currency basis spread is excluded from the hedge designation and accounted for through OCI, which is included in CET1.

## Net interest income sensitivity

The NII sensitivity of Global Wealth Management and Personal & Corporate Banking is assessed using a number of scenarios assuming parallel and non-parallel shifts in yield curves, with various degrees of severity. The results are compared with a baseline NII, calculated assuming that interest rates in all currencies develop according to their market-implied forward rates and under the assumption of constant business volumes and no specific management actions.

In addition to the above scenario analysis, we monitor NII sensitivity to immediate parallel shocks of −200 and +200 basis points against the defined thresholds, under the assumption of constant balance sheet volume and structure.

As of 31 December 2021, the projected NII was approximately 14% lower than the baseline NII under a parallel shock of −200 basis points, whereas under a parallel +200-basis-point shock it was approximately 57% higher than the baseline NII.

To shelter our NII level from the persistently low and negative interest rate environment, in particular in Swiss francs, we rely on self-funding our lending businesses through our deposit base in Global Wealth Management and Personal & Corporate Banking, along with appropriate additional adjustments to our interest rate-linked product pricing. The loss of such equilibrium on the balance sheet, for example due to unattractive pricing relative to peers for either mortgages or deposits, could lead to our NII decreasing in a persistently low and negative interest rate environment. As we assume constant business volumes, these risks do not appear in the aforementioned interest rate scenarios.

Moreover, should the low and negative interest rate environment worsen, our NII could come under additional pressure and we could face additional costs for holding our Swiss franc HQLA portfolio. A reduction of the Swiss National Bank's deposit exemption threshold for banks would also reduce our NII, as we might not be able to offset higher costs for our cash holdings, for example by passing on some of the costs to our depositors. Should euro interest rates also decline further, that could likewise increase liquidity costs and put NII generated from euro-denominated loans and deposits under pressure. Depending on the overall economic and market environment, sustained and significant negative rates could also lead to Global Wealth Management and Personal & Corporate Banking clients paying down their loans, along with reducing any excess cash they hold with us as deposits. That would reduce the underlying business volume and lower our NII accordingly.

The NII impact of a net decrease in deposits would depend on various factors, including the currency, its interest rate level and the balance sheet situation, as the impact could be offset by a reduction in negative-yielding liquidity portfolios or require alternative funding. If funding were required, the cost would also significantly depend on term and nature of replacement funding, whether such funding is raised in wholesale markets or from swapping with available other currency-denominated funding. Furthermore, imbalances leading to an excess deposit position could require additional investments at negative yields, which our excess deposit balance charging mechanisms might not be able to sufficiently compensate for.

### Economic value sensitivity

Audited | Interest rate risk in the banking book is subject to a regulatory EVE sensitivity threshold of 15% of tier 1 capital. The exposure is calculated as the theoretical change in the present value of the banking book under the most adverse of the six FINMA interest rate scenarios.

As of 31 December 2021, the interest rate sensitivity of our banking book to a +1-basis-point parallel shift in yield curves was negative USD 29.9 million, compared with negative USD 27.2 million as of 31 December 2020. The change in the interest rate sensitivity was driven by the execution of transactions in the first quarter of 2021 that were aimed at protecting our net interest income should interest rates decrease. The reported interest rate sensitivity excludes the AT1 capital instruments, as per FINMA Pillar 3 disclosure requirements, with a sensitivity of USD 4.5 million per basis point, and our equity, goodwill and real estate, with a modeled sensitivity of USD 22.1 million per basis point, of which USD 15.6 million and USD 5.5 million are attributable to the US dollar and the Swiss franc portfolios, respectively.

The most adverse of the six FINMA interest rate scenarios would be the "Parallel up" scenario, which would result in a change in the economic value of equity of negative USD 6.0 billion, representing a pro forma reduction of 10.0% of tier 1 capital, which would be well below the regulatory outlier test of 15% of tier 1 capital. The immediate effect of the "Parallel up" scenario on tier 1 capital as of 31 December 2021 would be a reduction of 1.8%, or USD 1.1 billion, arising from the part of our banking book that is measured at fair value through profit or loss and from *Financial assets measured at fair value through other comprehensive income*. Over time this scenario would have a positive effect on net interest income. ▲

› **Refer to "Note 11 Financial assets measured at fair value through other comprehensive income" in the "Consolidated financial statements" section of this report for more information**

› **Refer to the "Group performance" section of this report for more information about sensitivity to interest rate movements**

Audited |

**Interest rate risk – banking book**

| *USD million* | +1 bp | Parallel up[1] | Parallel down[1] | Steepener[2] | Flattener[3] | Short-term up[4] | Short-term down[5] |
|---|---|---|---|---|---|---|---|
| CHF | (5.1) | (724.1) | 806.3 | (254.3) | 117.1 | (158.7) | 162.5 |
| EUR | (1.1) | (196.6) | 231.9 | (69.0) | 37.4 | (24.1) | 27.4 |
| GBP | 0.1 | 33.3 | (32.8) | (31.1) | 35.3 | 45.4 | (43.7) |
| USD | (23.5) | (5,068.3) | 4,124.2 | (821.4) | (362.3) | (2,165.9) | 2,315.6 |
| Other | (0.4) | (85.8) | 19.9 | (3.7) | (34.5) | (59.6) | 3.8 |
| Total effect on economic value of equity as per Pillar 3 requirement as of 31.12.21 | (29.9) | (6,041.4) | 5,149.5 | (1,179.6) | (207.0) | (2,362.9) | 2,465.6 |
| Additional tier 1 (AT1) capital instruments | 4.5 | 853.4 | (928.4) | (9.6) | 197.1 | 531.5 | (553.3) |
| Total including AT1 capital instruments as of 31.12.21 | (25.4) | (5,188.0) | 4,221.1 | (1,189.2) | (10.0) | (1,831.4) | 1,912.3 |

1 Rates across all tenors move by ±150 bps for Swiss franc, ±200 bps for euro and US dollar and ±250 bps for pound sterling. 2 Short-term rates decrease and long-term rates increase. 3 Short-term rates increase and long-term rates decrease. 4 Short-term rates increase more than long-term rates. 5 Short-term rates decrease more than long-term rates.

▲

## Other market risk exposures

### Own credit

We are exposed to changes in UBS's own credit reflected in the valuation of financial liabilities designated at fair value when UBS's own credit risk would be considered by market participants, except for fully collateralized liabilities or other obligations for which it is established market practice to not include an own-credit component.

› **Refer to "Note 21 Fair value measurement" in the "Consolidated financial statements" section of this report for more information about own credit**

### Structural foreign exchange risk

Upon consolidation, assets and liabilities held in foreign operations are translated into US dollars at the closing foreign exchange rate on the balance sheet date. Value changes (in US dollars) of non-US dollar assets or liabilities due to foreign exchange movements are recognized in OCI and therefore affect shareholders' equity and CET1 capital.

Group Treasury uses strategies to manage this foreign currency exposure, including matched funding of assets and liabilities and net investment hedging.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about our exposure to and management of structural foreign exchange risk**

› **Refer to "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report for more information about our hedges of net investments in foreign operations**

### Equity investments

Audited | We make direct investments in a variety of entities and buy equity holdings in both listed and unlisted companies, for a variety of purposes, including investments such as exchange and clearing house memberships held to support our business activities. We may also make investments in funds that we manage in order to fund or seed them at inception or to demonstrate that our interests align with those of investors. We also buy, and are sometimes required by agreement to buy, securities and units from funds that we have sold to clients.

The fair value of equity investments tends to be influenced by factors specific to the individual investments. Equity investments are generally intended to be held for the medium or long term and may be subject to lock-up agreements. For these reasons, we generally do not control these exposures by using market risk measures applied to trading activities. However, such equity investments are subject to a different range of controls, including preapproval of new investments by business management and Risk Control, portfolio and concentration limits, and regular monitoring and reporting to senior management. They are also included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

As of 31 December 2021, we held equity investments and investment fund units totaling USD 3.0 billion, of which USD 1.8 billion was classified as *Financial assets at fair value not held for trading* and USD 1.2 billion as *Investments in associates*. ▲

› **Refer to "Note 21 Fair value measurement" and "Note 29 Interests in subsidiaries and other entities" in the "Consolidated financial statements" section of this report for more information**

› **Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section of this report for more information about the classification of financial instruments**

## Debt investments

Audited | Debt investments classified as *Financial assets measured at fair value through OCI* as of 31 December 2021 were measured at fair value with changes in fair value recorded through *Equity*, and can broadly be categorized as money market instruments and debt securities primarily held for statutory, regulatory or liquidity reasons.

The risk control framework applied to debt instruments classified as *Financial assets measured at fair value through OCI* depends on the nature of the instruments and the purpose for which we hold them. Our exposures may be included in market risk limits or be subject to specific monitoring and interest rate sensitivity analysis. They are also included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

Debt instruments classified as *Financial assets measured at fair value through OCI* had a fair value of USD 8.8 billion as of 31 December 2021 compared with USD 8.3 billion as of 31 December 2020. ▲

› **Refer to "Note 21 Fair value measurement" in the "Consolidated financial statements" section of this report for more information**

› **Refer to "Economic value sensitivity" in this section for more information**

› **Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section of this report for more information about the classification of financial instruments**

## Pension risk

We provide a number of pension plans for past and current employees, some classified as defined benefit pension plans under IFRS that can have a material effect on our IFRS equity and CET1 capital.

Pension risk is the risk that defined benefit plans' funded status might decrease, negatively affecting our capital. This can result from falls in the value of a plan's assets or in the investment returns, increases in defined benefit obligations, or combinations of the above.

Important risk factors affecting the fair value of pension plans' assets include equity market returns, interest rates, bond yields, and real estate prices. Important risk factors affecting the present value of expected future benefit payments include high-grade bond yields, interest rates, inflation rates, and life expectancy.

Pension risk is included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework. The potential effects are thus captured in the post-stress capital ratio calculations.

› **Refer to "Note 1 Summary of material accounting policies" and "Note 27 Post-employment benefit plans" in the "Consolidated financial statements" section of this report for more information about defined benefit plans**

## UBS own share exposure

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under the share repurchase program. In addition, the Investment Bank holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

› **Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information**

# Country risk

## Country risk framework

Country risk includes all country-specific events occurring in a sovereign jurisdiction that may lead to impairment of UBS's exposures. It may take the form of: sovereign risk, which is the ability and willingness of a government to honor its financial commitments; transfer risk, which arises if a counterparty or issuer cannot acquire foreign currencies following a moratorium by a central bank on foreign exchange transfers; or "other" country risk. "Other" country risk may manifest itself through, on the one hand, increased and multiple counterparty and issuer default risk (systemic risk) and, on the other hand, events that may affect a country's standing, such as adverse shocks affecting political stability or institutional and / or legal frameworks. We have a well-established risk control framework to assess the risk profiles of all countries where we have exposure.

We assign a country rating to each country, which reflects our view of the country's creditworthiness and of the probability of a country risk event occurring. Country ratings are mapped to statistically derived default probabilities, described under "Probability of default" in this section. We use this internal analysis to set the credit ratings of governments and central banks, estimate the probability of a transfer event occurring, and establish rules on how aspects of country risk should be incorporated in counterparty ratings of non-sovereign entities domiciled in the respective country.

Country ratings are also used to define our risk appetite and risk exposure to foreign countries. A country risk limit (i.e., maximum aggregate exposure) applies to exposures to counterparties or issuers of securities and financial investments in the given foreign country. We may limit the extension of credit, transactions in traded products or positions in securities based on a country risk ceiling even if our exposure to a counterparty is otherwise acceptable.

For internal measurement and control of country risk, we also consider the financial effect of market disruptions arising prior to, during and after a country crisis. These may take the form of a severe deterioration in a country's debt, equity or other asset markets or a sharp depreciation of its currency. We use stress testing to assess potential financial effects of severe country or sovereign crises. This involves the developing of plausible stress scenarios for combined stress testing and the identification of countries that may potentially be subject to a crisis event, determining potential losses and making assumptions about recovery rates depending on the types of credit transactions involved and their economic importance to the affected countries.

Our exposures to market risks are subject to regular stress tests covering major global scenarios, which are also used for combined stress testing, where we apply market shock factors to equity indices, interest rates and currency rates in all relevant countries and consider the potential liquidity of the instruments.

## Country risk exposure

### Country risk exposure measure

The presentation of country risk follows our internal risk view, where the basis for measuring exposures depends on the product category in which we classified the exposures. In addition to the classification of exposures into banking products and traded products, covered in "Credit risk profile of the Group" in this section, in the trading inventory we classify issuer risk on securities such as bonds and equities, as well as risk relating to underlying reference assets for derivative positions.

As we manage the trading inventory on a net basis, we net the value of long positions against short positions with the same underlying issuer. Net exposures are, however, floored at zero per issuer in the figures presented in the following tables. As a result, we do not recognize potentially offsetting benefits of certain hedges and short positions across issuers.

We do not recognize any expected recovery values when reporting country exposures as exposure before hedges, except for risk-reducing effects of master netting agreements and collateral held in either cash or portfolios of diversified marketable securities, which we deduct from the positive exposure values. Within banking products and traded products, risk-reducing effects of credit protection are taken into account on a notional basis when determining the net of hedge exposures.

### Country risk exposure allocation

In general, exposures are shown against the country of domicile of the contractual counterparty or the issuer of the security. For some counterparties whose economic substance in terms of assets or source of revenues is primarily located in a different country, the exposure is allocated to the risk domicile of those assets or revenues.

We apply a specific approach for banking products exposures to branches of banks that are located in a country other than the legal entity's domicile. In such cases, exposures are recorded in full against the country of domicile of the counterparty and additionally in full against the country where the branch is located.

In the case of derivatives, we show counterparty risk associated with positive replacement value (PRV) against the counterparty's country of domicile (presented within traded products). In addition, risk associated with an instantaneous fall in value of underlying reference assets to zero (assuming no recovery) is shown against the country of domicile of the issuer of the reference asset (presented within trading inventory). This approach allows us to capture both counterparty and, where applicable, issuer elements of risk arising from derivatives and applies comprehensively for all derivatives, including single-name credit default swaps (CDSs) and other credit derivatives.

CDSs are primarily bought and sold in relation to our trading businesses, and, to a much lesser degree, used to hedge credit valuation adjustments (CVAs). Holding CDSs for credit default protection does not necessarily protect the buyer of protection against losses, as contracts only pay out under certain scenarios. The effectiveness of our CDS protection as a hedge of default risk is influenced by a number of factors, including the contractual terms under which a given CDS was written. Generally, only the occurrence of credit events as defined by the CDS contract's terms (which may include, among other events, failure to pay, restructuring or bankruptcy) results in payments under the purchased credit protection contracts. For CDS contracts on sovereign obligations, repudiation can also be deemed as a default event. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association (ISDA) determination committees (composed of various ISDA member firms) based on the terms of the CDS and the facts and circumstances surrounding the event.

### Top 20 country risk exposures

The table below shows our 20 largest country exposures by product type, excluding our home country, as of 31 December 2021 compared with 31 December 2020.

Compared with the prior year, our net exposure to the UK increased by USD 8.8 billion, driven by central bank exposures due to treasury activities. Net exposure to the US increased by USD 6.3 billion, solely driven by banking products, largely related to nostro balances at the Federal Reserve due to treasury activities, mortgages and Investment Bank loans. Those increases in the US were partly offset by tradable assets related to treasury activities. Net exposure to Australia increased by USD 2.9 billion, predominantly driven by trading inventory due to loan underwriting projects and central bank exposures. Net exposure to Germany decreased by USD 2.8 billion, driven by trading inventory due to loan underwriting projects and sovereign issuer risk. Net exposure to China decreased by USD 2.0 billion, predominantly driven by trading inventory across issuer risk and margin loans, as well as banking products. Net exposure to France decreased by USD 1.0 billion, driven by trading inventory due to treasury activities.

Based on the sovereign rating categories, as of 31 December 2021, 84% of our emerging market country exposure was rated investment grade, compared with 83% as of 31 December 2020.

### Russia

Our direct country risk exposure to Russia contributed USD 634 million to our total emerging market exposure of USD 20.9 billion as of 31 December 2021. This includes trade finance exposures in Personal & Corporate Banking, a single loan in the Investment Bank with a non-Russian entity with key facilities spread globally including Russia and the Commonwealth of Independent States, Nostro and cash accounts balances, issuer risk on trading inventory within the Investment Bank, and derivatives within the Investment Bank. These exposures have been reduced since year-end 2021. Not included in this figure are net assets held in our Russian subsidiary, with a net asset value of USD 51 million. UBS is also currently monitoring settlement risk on certain open transactions with Russian banks and non-bank counterparties or Russian underlyings, as market closures, the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures.

As of 3 March 2022, UBS also had approximately USD 0.2 billion exposure arising from reliance on Russian assets as collateral on Lombard lending and other secured financing in Global Wealth Management.

As of 3 March 2022, we identified a small number of Global Wealth Management clients subject to the recently introduced sanctions, with total loans outstanding of under USD 10 million.

Our market risk exposure to Russia as of 3 March 2022 was limited.

We had no material direct country risk exposures to Ukraine or to Belarus as of 31 December 2021 and no material reliance on Ukrainian or to Belarusian collateral within our Lombard portfolio.

## Top 20 country risk net exposures by product type

| USD million | Total | | Banking products (loans, guarantees, loan commitments) | | Traded products (counterparty risk from derivatives and securities financing) after master netting agreements and net of collateral | | Trading inventory (securities and potential benefits / remaining exposure from derivatives) | |
|---|---|---|---|---|---|---|---|---|
| | Net of hedges[1] | | Net of hedges[1] | | Net of hedges | | Net long per issuer | |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| United States | 116,388 | 110,041 | 79,647 | 62,950 | 8,371 | 9,786 | 28,371 | 37,305 |
| United Kingdom | 34,837 | 26,083 | 24,788 | 16,154 | 7,465 | 8,541 | 2,585 | 1,388 |
| Japan | 14,764 | 14,974 | 10,572 | 5,625 | 3,508 | 2,972 | 684 | 6,378 |
| Germany | 10,564 | 13,336 | 3,397 | 2,447 | 1,232 | 1,217 | 5,934 | 9,672 |
| Singapore | 8,993 | 8,950 | 3,110 | 3,875 | 2,557 | 2,431 | 3,326 | 2,644 |
| Australia | 6,397 | 3,465 | 2,674 | 1,475 | 1,786 | 1,329 | 1,937 | 661 |
| France | 6,301 | 7,344 | 1,356 | 1,306 | 1,711 | 1,409 | 3,235 | 4,628 |
| China | 5,344 | 7,392 | 1,823 | 2,553 | 830 | 1,010 | 2,691 | 3,828 |
| Canada | 3,933 | 3,792 | 1,199 | 1,483 | 1,044 | 832 | 1,689 | 1,477 |
| Luxembourg | 3,453 | 3,292 | 2,438 | 2,128 | 58 | 145 | 958 | 1,019 |
| Hong Kong SAR | 3,388 | 2,840 | 1,914 | 1,498 | 367 | 395 | 1,107 | 946 |
| Netherlands | 3,020 | 3,048 | 1,183 | 656 | 830 | 782 | 1,007 | 1,610 |
| South Korea | 2,479 | 2,259 | 462 | 426 | 418 | 526 | 1,599 | 1,307 |
| Sweden | 1,617 | 2,326 | 647 | 657 | 194 | 260 | 776 | 1,410 |
| Thailand | 1,469 | 1,494 | 208 | 146 | 26 | 41 | 1,235 | 1,306 |
| Austria | 1,220 | 1,664 | 265 | 197 | 97 | 616 | 858 | 851 |
| Norway | 1,215 | 1,669 | 25 | 22 | 206 | 337 | 983 | 1,310 |
| India | 1,119 | 903 | 991 | 727 | 87 | 86 | 41 | 90 |
| Monaco | 1,022 | 1,016 | 984 | 994 | 28 | 17 | 10 | 5 |
| Brazil | 915 | 1,119 | 488 | 474 | 40 | 88 | 387 | 557 |
| Total[2] | 228,438 | 217,006 | 138,171 | 105,793 | 30,853 | 32,819 | 59,414 | 78,394 |

1 Before deduction of IFRS 9 ECL allowances and provisions. 2 Excluding Switzerland, supranationals and global funds.

## Emerging markets[1] net exposure[2] by internal UBS country rating category

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Investment grade | 17,608 | 19,580 |
| Sub-investment grade | 3,261 | 4,005 |
| Total | 20,869 | 23,585 |

1 We classify countries as emerging markets based on per capita GDP, historical real GDP growth, alignment with international institutions (such as BIS, World Bank, IMF, MSCI) and other factors. 2 Net of credit hedges (for banking products and for traded products); net long per issuer (for trading inventory). Before deduction of IFRS 9 ECL allowances and provisions.

# Sustainability and climate risk

## Sustainability risk

Sustainability and climate risk (SCR, previously known at UBS as environmental and social risk, or ESR) is defined as the risk that UBS is negatively impacted by or negatively impacts climate change, loss of biodiversity, human rights infringements, or other environmental, social or governance (ESG) matters. Sustainability and climate risks may manifest as credit, market, liquidity or operational risks for UBS and can result in financial or reputational impacts for the firm. They may also negatively impact the value of investments. The management of sustainability and climate risks is gaining importance amid a global drive to meet the Sustainable Development Goals (the SDGs) and transition to net zero, as defined by the Paris Agreement. In addition, regulators across jurisdictions increasingly seek to understand the potential financial impacts of climate change. Our broad and wide-ranging SCR policy framework governs client and supplier relationships, applies firm-wide to all activities, and is integrated in management practices and control principles. The SCR framework is embedded in our standard risk, compliance and operations processes and applied through:

- risk identification and measurement;
- risk monitoring and appetite setting;
- risk management and control; and
- risk reporting.

The aforementioned processes include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management, and portfolio reviews. This framework is geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant controversies related to sustainability, human rights or climate change.

› **Refer to "Sustainability and climate risk policy framework" in appendix 6 to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

## Climate risk

Climate risk can arise either from changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). The physical and transition risks from a changing climate contribute to a structural change across economies and consequently can affect banks and the financial sector as a whole through financial and non-financial impacts.

In order to protect our clients' assets and our own assets from climate-related risks, we have established a climate risk program to further integrate climate risk into the firm's risk management framework and standard processes. The program follows a multi-year roadmap to address regulatory expectations and is engaging with stakeholders and experts across the firm and externally to further develop climate risk methodologies, deliver on climate stress test exercises, and build capacity to respond to climate risk management expectations.

We currently identify and manage climate risk in our own operations, our balance sheet, client assets and the supply chain. We have continually reduced our exposure to carbon-related assets and advanced our multi-year efforts to develop methodologies that enable robust and transparent disclosure of climate metrics. This work supports our efforts to ensure that we are prepared to respond to increased climate risk-related regulatory requirements, align our disclosure with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (the TCFD) recommendations and collaborate within the financial sector to close gaps.

We approach climate risk identification through climate risk heatmaps, developed in collaboration with the United Nations Environment Programme Finance Initiative (UNEP FI) TCFD working group.

As part of this effort, we have defined an inventory of climate-sensitive sectors based on elevated climate risk ratings defined by the TCFD, regulators and rating agencies. We initially disclosed our exposure to climate sensitive sectors (transition risks) in our Annual Report 2020. Over the course of 2021, we have refined the disclosure of transition risks and introduced an initial disclosure of physical risks. We summarize our current exposure to climate-sensitive sectors for both risk types in the table on the next page.

Exposures may appear either under one or under both of the risk types, as the physical and transition risk methodologies are distinct in their approach and application and should not be added up as one total exposure figure. Climate risk analysis is a novel area of research, and, as the methodologies, tools and data availability improve, we will further develop our risk identification and measurement approaches.

› **Refer to "Taking action on a net-zero future – our climate report" in the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

### UBS lending to climate-sensitive sectors[1]

| | | Climate-sensitive exposure: elevated transition risks, as of 31.12.21[2] | | | Climate-sensitive exposure: elevated physical risks, as of 31.12.21[2] | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Trend (%) 2019–2021 | Gross exposure[3] | Share of total in % | Trend (%) 2019–2021 | Gross exposure[3] | Share of total in % |
| Climate-sensitive sector[4] | | | | | | |
| Aerospace and defense | ↓ | 831 | 0.18 | ↓ | 338 | 0.07 |
| Automotive | ↓ | 703 | 0.15 | ↓ | 1,042 | 0.23 |
| Business services | | | | ↓ | 853 | 0.19 |
| Chemicals | ↓ | 1,112 | 0.24 | ↓ | 991 | 0.22 |
| Constructions and materials | ↓ | 3,637 | 0.79 | ↓ | 302 | 0.07 |
| Consumer products and retail | → | 355 | 0.08 | ↑ | 650 | 0.14 |
| Entertainment, leisure and services | | | | ↓ | 1,308 | 0.28 |
| Food and beverage | → | 2 | 0.00 | ↑ | 1,334 | 0.29 |
| Industrial materials | ↓ | 121 | 0.03 | ↓ | 243 | 0.05 |
| Information technology | | | | ↓ | 274 | 0.06 |
| Machinery and equipment | ↑ | 1,040 | 0.23 | ↑ | 2,732 | 0.60 |
| Medical equipment and services | | | | ↑ | 408 | 0.09 |
| Mining | ↓ | 2,920 | 0.64 | ↑ | 1,153 | 0.25 |
| Oil and gas | ↓ | 5,823 | 1.27 | ↓ | 5,538 | 1.21 |
| Pharmaceuticals/biotechnology | ↑ | 1,400 | 0.30 | → | 814 | 0.18 |
| Plastic and rubber | ↓ | 299 | 0.07 | ↓ | 280 | 0.06 |
| Primary materials | → | 13 | 0.00 | → | 320 | 0.07 |
| Real estate management | ↓ | 18,029 | 3.93 | ↑ | 528 | 0.12 |
| Sovereigns and financials | | | | ↓ | 4,371 | 0.95 |
| Transportation and equipment | ↓ | 849 | 0.18 | ↓ | 419 | 0.09 |
| Utilities | ↓ | 375 | 0.08 | ↑ | 1,579 | 0.34 |
| Total, climate-sensitive sectors[2] | ↓ | 37,510 | 8.17 | ↓ | 25,476 | 5.55 |
| Total, all sectors | | 459,061 | 100.00 | | 459,061 | 100.00 |

1 Not additive across transition risks and physical risks. 2 Global Wealth Management corporate lending to customers represents 1.1% of all on- and off-balance sheet loans and advances to customers, and is not rated. 3 Reported as IFRS9 expected credit loss (ECL) calculation, and represents both on-balance sheet: total loans and advances to customers and off-balance sheet: guarantees and irrevocable loan commitments (within the scope of ECL). Physical risk exposures include USD ~4 billion in loans backed by real estate. 4 The table includes only those sector exposures that are defined as climate-sensitive. Climate-sensitive sectors defined as business activities rated as having high, moderately high or moderate vulnerability to transition and physical risks. Transition risk methodology was initially developed in collaboration with UNEP FI TCFD working group and disclosed in Phase II "From disclosure to action – a guide to implementing the TCFD framework within financial institutions" report. Physical risk methodology is based on country, sectoral and value chain risk factors derived from a range of academic and expert sources. Both methodologies have been adapted internally and enhanced.

Climate risk heatmaps enable us to use a materiality-driven approach when defining our climate risk management strategy by:

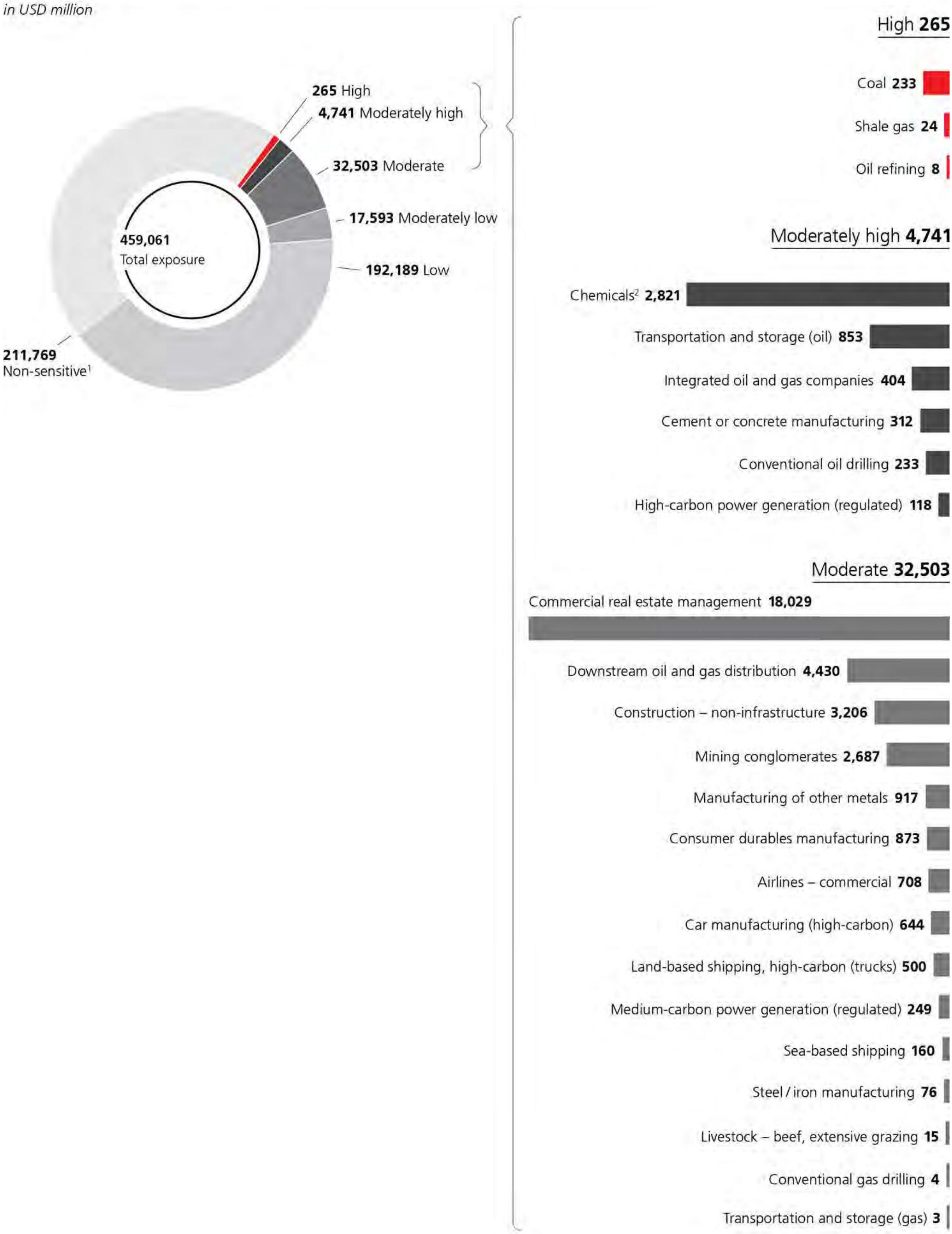
- helping us to identify concentrations of exposure with high climate risk vulnerability, which, in turn, enables resource prioritization for detailed risk analysis and management action;
- supporting a client-centric strategy in order to best assist clients that may benefit from UBS products and services to support their climate strategies; and
- providing information to senior management to support decision making and the provision of external disclosure to stakeholders.

Our climate risk heatmaps rate cross-sectoral credit risk exposure to climate sensitivity, from high to low, through a risk segmentation process. The transition risk methodology, reflected in the climate risk heatmap on the next page, divides economic sectors into segments with similar risk characteristics and rates those segments according to their vulnerability to mitigative climate policies, low-carbon technology risks and revenue or demand shifts under an aggressive approach to meeting the well-below-2°C Paris goal. The physical risk methodology groups corporate counterparties based on exposure to key physical risk factors, through rating sectoral, geographic, and value chain vulnerabilities in a climate change trajectory in which no additional policy action is taken. Counterparties are assigned a climate vulnerability rating based on the primary industry code (Global Industry Classification Standard, GICS) and risk domicile in UBS data systems.

› **For our physical risk heatmap, refer to "Taking action on a net-zero future – our climate report" in the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors***

**Climate risk heatmap (transition risks)**

*in USD million*




1 Non-sensitive is mostly composed of private Lombard lending. 2 Includes pharmaceuticals.

### Scenario analysis and stress tests exercises

We have been using scenario-based approaches since 2014 to assess our exposure and the potential impacts of physical and transition risks stemming from climate change. Novel in-house scenario analyses have been followed by a series of assessments performed through industry collaborations in order to harmonize approaches in addressing methodological and data gaps. We have performed both top-down balance sheet stress testing (across the firm) and targeted bottom-up analyses of specific sector exposures covering short-, mid- and long-term time horizons. Starting in 2021, UBS participates in regulatory scenario analysis and stress test exercises, including the Bank of England's "2021 Climate Biennial Exploratory Scenario: Financial risks from climate change" and the European Central Bank's climate stress test. In addition, in 2021 UBS participated in a top-down climate risk assessment performed jointly by FINMA and the Swiss National Bank in Switzerland.

› **For more information about our climate risk approach and physical risk heatmap, refer to "Taking action on a net-zero future – our climate report" in the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors***

# Non-financial risk

## Key developments

We have identified seven non-financial risk themes as key to the firm for 2022. These are:
– digital transformation and cyber and operational resilience;
– use of data;
– new ways of working and change delivery;
– investor protection and market interaction;
– strategic growth initiatives and partnerships;
– the evolving nature of anti-money-laundering (AML) / know-your-client (KYC) programs and sanctions; and
– environmental, social and governance (ESG) risks.

We are continuing our efforts regarding innovation and digitalization to create value for our clients. As part of the resulting transformation, we are focusing on timely changes to frameworks, including consideration of new or revised controls, working practices and oversight, with the aim of mitigating any new risks introduced, including those related to data ethics.

Increases in the sophistication of cyberattacks and frauds are noted worldwide, especially with ransomware attacks. To date, our security controls, regular communications to help employees stay alert to cyber threats while working remotely and enhanced monitoring of cyber threats have resulted in no cyber security incidents having a material effect on our operations during 2021. UBS continues to be vigilant, particularly in view of the potential for intensifying cyber threats, both in terms of volume and sophistication, driven by current geopolitical events.

Operational resilience continues to be a focus area for us, as well as for regulators globally. We have a global program to enhance our operational-resilience capabilities, including addressing developing regulatory requirements.

The existing resilience built into our operations and the effectiveness of our business continuity management and operational risk processes (including those for third-party service providers) have been critical in handling the ongoing COVID-19 pandemic. They have enabled us to maintain stable operations while complying with governmental measures to contain COVID-19; continuing to serve our clients without material impact; and to support the safety and well-being of our staff.

Hybrid working arrangements can lead to increased conduct risk, inherent risk of fraudulent activities, potential increases in the number of suspicious transactions and increased information security risks. We have implemented additional monitoring and supervision intended to mitigate these risks. In addition, as we move to a post-pandemic new normal, changes to the work environment, including permanent hybrid and the introduction of agile ways of working, may introduce new challenges for supervision and monitoring.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to the firm. We maintain a conduct risk framework across our activities, which is designed to align our standards and conduct with these objectives and maintain momentum on fostering a strong culture.

Competition to find new business opportunities across the financial services industry, both for firms and customers, is increasing. Thus suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency also remain areas of heightened focus for UBS and for the industry as a whole, as low interest rates, market volatility and major legislative change programs (such as the Swiss Financial Services Act (FIDLEG) in Switzerland, Regulation Best Interest (Reg BI) in the US, and the Markets in Financial Instruments Directive II (MiFID II) in the EU) all significantly affect the industry and require adjustments to control processes on a geographically aligned basis. We regularly monitor our suitability, product and conflicts of interest control frameworks to assess whether they are reasonably designed to facilitate adherence to applicable laws and regulatory expectations.

Cross-border risk remains an area of regulatory attention for global financial institutions, with a strong focus on fiscal transparency, as well as market access, particularly third-country market access into the European Economic Area. There is also an ongoing high level of attention regarding the risk that tax authorities may, on the basis of new interpretations of existing law, seek to impose taxation based on the existence of a permanent establishment. We maintain a series of controls designed to address these risks.

Financial crime, including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption, continues to present a major risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention continues. An effective financial crime prevention program therefore remains essential for UBS. Money laundering and financial fraud techniques are becoming increasingly sophisticated, and geopolitical volatility makes the sanctions landscape more challenging, as new or novel sanctions may be imposed that require complex implementation in a short timeframe, as evidenced by the existing, and potential escalation of new sanctions arising from the Russian invasion of Ukraine. New risks continue to emerge, such as virtual currencies and related activities or investments.

In the US, the Office of the Comptroller of the Currency issued a Cease and Desist Order against the firm in May 2018 relating to our US branch KYC and AML programs. In response, we initiated an extensive program for the purpose of ensuring sustainable remediation of US-relevant Bank Secrecy Act / AML issues across all our US legal entities. We introduced significant improvements to the framework between 2019 and 2021 and are continuing to implement these. We believe they will yield the planned enhancements to our AML controls.

We continued to focus on strategic enhancements to our global AML / KYC and sanctions programs to address evolving risk profiles and regulatory expectations, including the exploration of new technologies and more sophisticated monitoring.

In line with our firm-wide purpose, ESG topics and the risks related to them are high on our agenda, particularly considering the increasing regulatory focus on ESG disclosure, climate-related stress testing and greenwashing, as well as the potential for new and diverse regulations being deployed across jurisdictions.

› **Refer to “Sustainability and climate risk” in this section for more information about risks related to sustainability and climate risk**

## Operational risk framework

Operational risk is an inherent part of the firm's business. Losses can result from inadequate or failed internal processes, people and systems, or from external causes. UBS follows a Group-wide operational risk framework (an ORF) that establishes requirements for identifying, managing, assessing and mitigating operational, compliance and conduct risks to achieve an agreed balance between risk and return. It is built on the following pillars:

- classifying inherent risks through the operational risk taxonomy, which defines the universe of material operational risks that can arise as a consequence of the firm's business activities and external factors;
- assessing the design and operating effectiveness of controls through the control assessment process;
- proactively and sustainably remediating identified control deficiencies;
- defining operational risk appetite (including a financial operational risk appetite statement at Group, UBS AG and business division levels for operational risk events) through quantitative metrics and thresholds and qualitative measures, and assessing risk exposure against appetite; and
- assessing inherent and residual risk through risk assessment processes, and determining whether additional remediation plans are required to address identified deficiencies.

Divisional Presidents are accountable for the effectiveness of operational risk management and for the robustness of the front-to-back control environment within their business divisions, and legal entity responsible executives are responsible for operational risk management within their legal entities. Group function heads are accountable for supporting the divisional Presidents and legal entity responsible executives of our legal entities in the discharge of this responsibility, by confirming completeness and effectiveness of the control environment and operational risk management within their Group functions. Collectively, divisional Presidents, central Group function heads and legal entity responsible executives are in charge of implementing the operational risk framework.

Compliance & Operational Risk Control (C&ORC) is responsible for providing an independent and objective view of the adequacy of operational risk management across the Group, and ensuring that operational, compliance and conduct risks are understood, owned and managed in accordance with the firm's risk appetite. C&ORC-aligned teams sit within the Group Compliance, Regulatory & Governance (GCRG) function, reporting to the Group Chief Compliance and Governance Officer, who is a member of the Group Executive Board. The ORF forms the common basis for managing and assessing operational, compliance and conduct risk, and there are additional C&ORC activities intended to ensure UBS is able to demonstrate compliance with applicable laws, rules and regulations.

In 2021, UBS continued to review and enhance the ORF through the established ORF design authority, considering feedback and input from both internal and external stakeholders, including implementing Group-wide control portfolio analytics, supporting consistency across the control portfolio.

All functions within UBS are required to assess the design and operating effectiveness of their internal controls periodically. The output of these assessments forms the basis for the assessment and testing of internal controls over financial reporting as required by the Sarbanes–Oxley Act, Section 404 (SOX 404).

Key control deficiencies identified during the internal control and risk assessment processes must be reported in the operational risk inventory, and sustainable remediation must be defined and executed. These control deficiencies are assigned to owners at senior management level and the remediation progress is reflected in the respective managers' annual performance measurement and management objectives. To assist with prioritizing the most material control deficiencies and measuring aggregated risk exposure, irrespective of origin, a common rating methodology is applied across all three lines of defense, as well as by external audit.

## Advanced measurement approach model

The operational risk framework outlined above underpins the calculation of regulatory capital for operational risk, which enables us to quantify operational risk and define effective risk mitigating management incentives as part of the related operational risk capital allocation approach to the business divisions.

We measure Group operational risk exposure and calculate operational risk regulatory capital using the advanced measurement approach (AMA) in accordance with FINMA requirements.

An entity-specific AMA model has been applied for UBS Switzerland AG, while for other regulated entities the basic indicators or standardized approaches are adopted for regulatory capital in agreement with local regulators. Also, the methodology of the Group AMA is leveraged for entity-specific Internal Capital Adequacy Assessment Processes.

Currently, the model includes 16 AMA units of measure (UoM), which are aligned with our operational risk taxonomy as closely as possible. Frequency and severity distributions are calibrated for each of the model's UoM. The modeled distribution functions for both frequency and severity are used to generate the annual loss distribution. The resulting 99.9% quantile of the overall annual operational risk loss distribution across all UoM determines the required regulatory capital. Currently, we do not reflect mitigation through insurance or any other risk transfer mechanism in our AMA model.

## AMA model calibration and review

A key assumption when calibrating data-driven frequency and severity distributions is that historical losses form a reasonable proxy for future events. In line with regulatory expectations, the AMA methodology utilizes both historical internal losses and external losses suffered by the broader industry for model calibration.

Initial model outputs driven by loss history are reviewed and adjusted to reflect fast-changing external developments, such as new regulations, geopolitical change, volatile market and economic conditions, and internal factors (e.g., changes in business strategy and control framework enhancements). The resulting baseline data-driven frequency and severity distributions are reviewed by subject matter experts and where necessary adjusted based on a review of qualitative information about the business environment and internal control factors, as well as expert judgment, with the aim of forecasting losses.

Our model is reviewed regularly to maintain risk sensitivity and recalibrated at least annually. Any changes to regulatory capital as a result of a recalibration or methodology changes are presented to FINMA for approval prior to use for disclosure purposes.

### AMA model governance

The Group and entity-specific AMA models are subject to an independent validation performed by Model Risk Management & Control in line with the Group's model risk management framework.

### Expected transition of capital regime under Basel III capital regulations

The AMA is expected to be replaced by the standardized measurement approach for regulatory capital determination purposes in line with the relevant Basel Committee for Banking Supervision Basel III capital regulations. UBS is interacting closely with the relevant Swiss authorities to discuss the implementation details and related implementation timeline.

› **Refer to "Capital planning and activities" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the development of risk-weighted assets**

› **Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures**

› **Refer to the "Risk factors" section of this report for more information**

# Capital, liquidity and funding, and balance sheet

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# Capital management

## Capital management objectives, planning and activities

### Capital management objectives

Audited | An adequate level of total loss-absorbing capacity (TLAC) meeting both internal assessment and regulatory requirements is a prerequisite for conducting our business activities. ▲

We are therefore committed to maintaining a strong TLAC position and sound TLAC ratios at all times, in order to meet regulatory capital requirements and our target capital ratios, and to support the growth of our businesses.

As of 31 December 2021, our common equity tier 1 (CET1) capital ratio was 15.0% and our CET1 leverage ratio 4.24%, each above our capital guidance, and also above the requirements for Swiss systemically relevant banks (SRBs) and the Basel Committee on Banking Supervision (the BCBS) requirements. We believe that our capital strength is a source of confidence for our stakeholders, contributes to our sound credit ratings and is one of the foundations of our success.

The BCBS announced the finalization of the Basel III framework in December 2017, and published the final rules on the minimum capital requirements for market risk from the Fundamental Review of the Trading Book (the FRTB) in January 2019. In response to COVID-19, the Group of Central Bank Governors and Heads of Supervision, which acts as the BCBS's oversight body, endorsed the deferral of the implementation date by one year, to 1 January 2023. The accompanying transitional arrangements for the output floor were also extended by one year, to 1 January 2028. We expect the Swiss regulations to come into force in 2024 and we continue to make progress on our infrastructure design and operational governance ahead of the upcoming adoption of these rules. We currently estimate that the revised Basel III framework may lead to a further net increase in risk-weighted assets (RWA) of around USD 20 billion in 2024, before taking into account mitigating actions. The estimate includes credit risk and operational risk RWA from the finalization of the Basel III framework, as well as market risk and credit valuation adjustment (CVA) RWA from the FRTB, based on our current understanding of the relevant standards. It may change as a result of new or changed regulatory interpretations, particularly those regarding the treatment of historical operational losses, as well as the appropriate conservatism in model calibration, the implementation of Basel III standards into national law, changes in business growth, market conditions and other factors.

› **Refer to the "Our strategy" and "Targets, aspirations and capital guidance" sections of this report for more information about our capital and resource guidelines**

› **Refer to "We may be unable to maintain our capital strength" in the "Risk factors" section of this report for more information about capital ratio-related risks**

### Capital planning and activities

Audited | We manage our balance sheet, RWA, leverage ratio denominator (LRD) and TLAC ratio levels based on our regulatory requirements and within our internal limits and targets. Our strategic focus is on achieving an optimal attribution and use of financial resources between our business divisions and Group Functions, as well as between our legal entities, while remaining within the limits defined for the Group and allocated to the business divisions by the Board of Directors (the BoD). These resource allocations, in turn, affect business plans and earnings projections, which are reflected in our capital plans.

The annual strategic planning process includes a capital-planning component that is key in defining our capital targets. It is based on an attribution of Group RWA and LRD internal limits to the business divisions.

Limits and targets are established at the Group and business division levels, and are approved by the BoD at least annually. In the target-setting process, we take into account the current and potential future TLAC requirements, our aggregate risk exposure in terms of capital-at-risk, the assessment by rating agencies, comparisons with peers and the effect of expected accounting policy changes. ▲

Monitoring is based on these internal limits and targets and provides indications if any changes are required. Any breach of limits in place triggers a series of required remediating actions.

Group Treasury plans for and monitors consolidated TLAC information on an ongoing basis, reflecting business and legal entity requirements, as well as regulatory developments in capital regulations. In addition, capital planning and monitoring are performed at the legal entity level for our significant subsidiaries and sub-groups that are subject to prudential supervision and must meet capital and other supervisory requirements.

› **Refer to "Capital and capital ratios of our significant regulated subsidiaries" in this section for more information**

# Swiss SRB total loss-absorbing capacity framework

The disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on key developments during the reporting period and information in accordance with the Basel III framework, as applicable to Swiss SRBs.

Additional regulatory disclosures for UBS Group AG on a consolidated basis are provided in our 31 December 2021 Pillar 3 Report. The Pillar 3 Report further includes information relating to our significant regulated subsidiaries and sub-groups (UBS AG standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated and UBS Americas Holding LLC consolidated) as of 31 December 2021 and is available under "Pillar 3 disclosures" at *ubs.com/investors*.

Capital and other regulatory information for UBS AG consolidated in accordance with the Basel III framework, as applicable to Swiss SRBs, is provided in the combined UBS Group AG and UBS AG Annual Report 2021, available under "Annual reporting" at *ubs.com/investors*.

## Regulatory framework

The Basel III framework came into effect in Switzerland on 1 January 2013 and is embedded in the Swiss Capital Adequacy Ordinance (the CAO). The CAO also includes the too-big-to-fail provisions applicable to Swiss SRBs, which have been fully phased-in since 1 January 2020.

Under the Swiss SRB framework, going and gone concern requirements represent the Group's TLAC requirement. TLAC encompasses regulatory capital, such as CET1, loss-absorbing additional tier 1 (AT1) and tier 2 capital instruments, and liabilities that can be written down or converted into equity in case of resolution or for the purpose of restructuring measures.

### Capital and other instruments contributing to our total loss-absorbing capacity

In addition to CET1 capital, the following instruments contribute to our loss-absorbing capacity:
- loss-absorbing AT1 capital instruments (high- and low-trigger);
- loss-absorbing tier 2 capital instruments (high- and low-trigger);
- non-Basel III-compliant tier 2 capital instruments; and
- TLAC-eligible senior unsecured debt instruments.

Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger loss-absorbing AT1 capital instruments. Our existing outstanding low-trigger loss-absorbing AT1 capital instruments are available to meet the going concern capital requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements.

Outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, non-Basel III-compliant tier 2 capital instruments and TLAC-eligible senior unsecured debt instruments are eligible to meet gone concern requirements until one year before maturity. A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years (i.e., are in the last year of eligibility). However, once at least 75% of the gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital.

› **Refer to "Bondholder information," available at *ubs.com/investors*, for more information about the eligibility of capital and senior unsecured debt instruments and key features and terms and conditions of capital instruments**

### Total loss-absorbing capacity and leverage ratio requirements

*Going concern capital requirements*

Under the Swiss SRB requirements, total going concern minimum requirements for all Swiss SRBs are a capital ratio requirement of 12.86% of RWA and a leverage ratio requirement of 4.5%. In addition to these minimum requirements, an add-on reflecting the degree of systemic importance is applied, based on market share and LRD. The applicable market share add-on requirements for UBS increased 0.36% to 0.72% of RWA and 0.125% to 0.25% of LRD, reflecting an increase in UBS's market share in the Swiss credit business to more than 17%. The applicable LRD add-on requirements remained unchanged at 0.72% of RWA and 0.25% of LRD, as our Group LRD remained within the same add-on bucket.

Effective from 27 March 2020, the Swiss Federal Council deactivated the countercyclical buffer requirement of 2% on risk-weighted positions that are directly or indirectly backed by residential properties in Switzerland to support the lending capacity of banks. Even though the Swiss countercyclical buffer requirement was not active in 2021, we continued to apply additional countercyclical buffer requirements introduced in other BCBS member jurisdictions, which result in an additional buffer requirement of 0.02%. In January 2022, the Swiss Federal Council decided, at the request of the Swiss National Bank, to reactivate the countercyclical capital buffer, at a maximum level of 2.5%. The reactivated countercyclical capital buffer will become effective on 30 September 2022 and is expected to increase our CET1 capital requirement by approximately 30 basis points.

The total going concern capital requirements applicable are 14.32% of RWA (including countercyclical buffer requirements) and 5.00% of LRD. Furthermore, of the total going concern capital requirement of 14.32% of RWA, at least 10.02% must be met with CET1 capital, while a maximum of 4.3% can be met with high-trigger loss-absorbing AT1 capital instruments (including our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

Similarly, of the total going concern leverage ratio requirement of 5.00%, at least 3.5% must be met with CET1 capital, while a maximum of 1.5% can be met with high-trigger loss-absorbing AT1 capital instruments (including our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

*Gone concern loss-absorbing capacity requirements*

As an internationally active Swiss SRB, UBS is also subject to gone concern loss-absorbing capacity requirements. The gone concern requirements also include add-ons for market share and LRD.

Under the Swiss SRB framework, banks are eligible for a rebate on the gone concern requirement if they take actions that facilitate recovery and resolvability beyond the minimum requirements. The amount of the rebate for improved resolvability is assessed annually by FINMA. Based on actions we had completed by December 2020 to improve resolvability, FINMA granted a rebate on the gone concern requirement of 55% of the aforementioned maximum rebate in the third quarter of 2021, which resulted in a reduction of 3.14 percentage points for the RWA-based requirement and 1.10 percentage points for the LRD-based requirement.

Our gone concern requirements are further reduced when higher quality capital instruments (CET1 capital, low-trigger loss-absorbing AT1 or certain low-trigger tier 2 capital instruments) are used to meet gone concern requirements. As of 31 December 2021, UBS used low-trigger tier 2 capital instruments to fulfill gone concern requirements, resulting in a reduction of 0.43 percentage points for the RWA-based requirement and 0.12 percentage points for the LRD-based requirement.

Until 31 December 2021, the gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments was floored at 8.6% and 3% for the RWA- and LRD-based requirements, respectively. From 1 January 2022 onward, this floor increased to 10% and 3.75% for the RWA- and LRD-based requirements, respectively.

In this report, we refer to the RWA-based gone concern requirements as gone concern loss-absorbing capacity requirements and the RWA-based gone concern ratio is referred to as the gone concern loss-absorbing capacity ratio.

The table below provides the RWA- and LRD-based requirements and information as of 31 December 2021.

**Swiss SRB going and gone concern requirements and information**

| As of 31.12.21 | RWA | | LRD | |
|---|---|---|---|---|
| *USD million, except where indicated* | in % | | in % | |
| Required going concern capital | | | | |
| Total going concern capital | 14.32[1] | 43,281 | 5.00[1] | 53,443 |
| Common equity tier 1 capital | 10.02 | 30,286 | 3.50[2] | 37,410 |
| *of which: minimum capital* | *4.50* | *13,599* | *1.50* | *16,033* |
| *of which: buffer capital* | *5.50* | *16,621* | *2.00* | *21,377* |
| *of which: countercyclical buffer* | *0.02* | *66* | | |
| Maximum additional tier 1 capital | 4.30 | 12,995 | 1.50 | 16,033 |
| *of which: additional tier 1 capital* | *3.50* | *10,577* | *1.50* | *16,033* |
| *of which: additional tier 1 buffer capital* | *0.80* | *2,418* | | |
| Eligible going concern capital | | | | |
| Total going concern capital | 20.02 | 60,488 | 5.66 | 60,488 |
| Common equity tier 1 capital | 14.98 | 45,281 | 4.24 | 45,281 |
| Total loss-absorbing additional tier 1 capital[3] | 5.03 | 15,207 | 1.42 | 15,207 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *4.23* | *12,783* | *1.20* | *12,783* |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | *0.80* | *2,425* | *0.23* | *2,425* |
| Required gone concern capital | | | | |
| Total gone concern loss-absorbing capacity[4] | 10.74 | 32,444 | 3.78 | 40,388 |
| *of which: base requirement*[5] | *12.86* | *38,864* | *4.50* | *48,099* |
| *of which: additional requirement for market share and LRD* | *1.44* | *4,352* | *0.50* | *5,344* |
| *of which: applicable reduction on requirements* | *(3.56)* | *(10,772)* | *(1.22)* | *(13,056)* |
| *of which: rebate granted (equivalent to 55% of maximum rebate)* | *(3.14)* | *(9,474)* | *(1.10)* | *(11,757)* |
| *of which: reduction for usage of low-trigger tier 2 capital instruments* | *(0.43)* | *(1,298)* | *(0.12)* | *(1,298)* |
| Eligible gone concern capital | | | | |
| Total gone concern loss-absorbing capacity | 14.65 | 44,264 | 4.14 | 44,264 |
| Total tier 2 capital | 1.04 | 3,144 | 0.29 | 3,144 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *0.86* | *2,596* | *0.24* | *2,596* |
| *of which: non-Basel III-compliant tier 2 capital* | *0.18* | *547* | *0.05* | *547* |
| TLAC-eligible senior unsecured debt | 13.61 | 41,120 | 3.85 | 41,120 |
| Total loss-absorbing capacity | | | | |
| Required total loss-absorbing capacity | 25.06 | 75,725 | 8.78 | 93,831 |
| Eligible total loss-absorbing capacity | 34.66 | 104,752 | 9.80 | 104,752 |
| Risk-weighted assets / leverage ratio denominator | | | | |
| Risk-weighted assets | | 302,209 | | |
| Leverage ratio denominator | | | | 1,068,862 |

1 Includes applicable add-ons of 1.44% for RWA and 0.50% for LRD. 2 Our minimum CET1 leverage ratio requirement of 3.5% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.25% market share add-on requirement based on our Swiss credit business. 3 Includes outstanding low-trigger loss-absorbing additional tier 1 (AT1) capital instruments, which are available under the Swiss SRB framework to meet the going concern requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. 4 A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. 5 The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments is floored at 8.6% and 3% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 5.7 percentage points for the RWA-based requirement of 14.3% and 2.0 percentage points for the LRD-based requirement of 5.0%.

# Total loss-absorbing capacity

## Swiss SRB going and gone concern information

| USD million, except where indicated | 31.12.21 | 31.12.20 |
|---|---|---|
| **Eligible going concern capital** | | |
| Total going concern capital | 60,488 | 56,178 |
| Total tier 1 capital | 60,488 | 56,178 |
| Common equity tier 1 capital | 45,281 | 39,890 |
| Total loss-absorbing additional tier 1 capital | 15,207 | 16,288 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *12,783* | *13,711* |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | *2,425* | *2,577* |
| **Eligible gone concern capital** | | |
| Total gone concern loss-absorbing capacity | 44,264 | 45,545 |
| Total tier 2 capital | 3,144 | 7,744 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *2,596* | *7,201* |
| *of which: non-Basel III-compliant tier 2 capital* | *547* | *543* |
| TLAC-eligible senior unsecured debt | 41,120 | 37,801 |
| **Total loss-absorbing capacity** | | |
| Total loss-absorbing capacity | 104,752 | 101,722 |
| **Risk-weighted assets / leverage ratio denominator** | | |
| Risk-weighted assets | 302,209 | 289,101 |
| Leverage ratio denominator | 1,068,862 | 1,037,150[1] |
| **Capital and loss-absorbing capacity ratios (%)** | | |
| Going concern capital ratio | 20.0 | 19.4 |
| *of which: common equity tier 1 capital ratio* | *15.0* | *13.8* |
| Gone concern loss-absorbing capacity ratio | 14.6 | 15.8 |
| Total loss-absorbing capacity ratio | 34.7 | 35.2 |
| **Leverage ratios (%)[1]** | | |
| Going concern leverage ratio | 5.7 | 5.4 |
| *of which: common equity tier 1 leverage ratio* | *4.24* | *3.85* |
| Gone concern leverage ratio | 4.1 | 4.4 |
| Total loss-absorbing capacity leverage ratio | 9.8 | 9.8 |

1 The leverage ratio denominator (LRD) and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section and to "Application of the temporary COVID-19-related FINMA exemption of central bank sight deposits" in the "Capital, liquidity and funding, and balance sheet" sections of our Annual Report 2020 for more information.

Audited |

## Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Total IFRS equity | 61,002 | 59,765 |
| Equity attributable to non-controlling interests | (340) | (319) |
| Defined benefit plans, net of tax | (270) | (41) |
| Deferred tax assets recognized for tax loss carry-forwards | (4,565) | (5,617) |
| Deferred tax assets on temporary differences, excess over threshold | (49) | (5) |
| Goodwill, net of tax[1] | (5,838) | (6,319) |
| Intangible assets, net of tax | (180) | (296) |
| Compensation-related components (not recognized in net profit) | (1,700) | (1,349) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (482) | (330) |
| Unrealized (gains) / losses from cash flow hedges, net of tax | (628) | (2,321) |
| Own credit related to gains / losses on financial liabilities measured at fair value that existed at the balance sheet date | 315 | 382 |
| Own credit related to gains / losses on derivative financial instruments that existed at the balance sheet date | (50) | (45) |
| Unrealized gains related to debt instruments at fair value through OCI, net of tax | (68) | (152) |
| Prudential valuation adjustments | (167) | (150) |
| Accruals for dividends to shareholders | (1,700) | (1,314) |
| Capital reserve for potential share repurchases | | (2,000) |
| Other | 1 | 0 |
| Total common equity tier 1 capital | 45,281 | 39,890 |

1 Includes goodwill related to significant investments in financial institutions of USD 22 million as of 31 December 2021 (31 December 2020: USD 413 million) presented on the balance sheet line Investments in associates.

### Total loss-absorbing capacity and movement

Our total loss-absorbing capacity increased by USD 3.0 billion to USD 104.8 billion as of 31 December 2021.

#### Going concern capital and movement

Audited | Our CET1 capital mainly consists of: share capital; share premium, which primarily consists of additional paid-in capital related to shares issued; and retained earnings. A detailed reconciliation of IFRS equity to CET1 capital is provided in the "Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital" table.

Our CET1 capital increased by USD 5.4 billion to USD 45.3 billion as of 31 December 2021, mainly as a result of operating profit before tax of USD 9.5 billion, a USD 0.5 billion increase in eligible deferred tax assets on temporary differences, a USD 0.4 billion decrease in deduction of goodwill resulting from the sale of our remaining minority investment in Clearstream Fund Centre AG (previously Fondcenter AG) and an increase of USD 0.2 billion related to the launch of our new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. These effects were partly offset by dividend accruals of USD 1.7 billion, current tax expenses of USD 1.6 billion, share repurchases under our share repurchase program of USD 0.6 billion, negative foreign currency effects of USD 0.6 billion, compensation- and own share-related capital components of USD 0.4 billion, and negative effects from defined benefit plans of USD 0.2 billion.

Our share repurchases in 2021 decreased CET1 capital by USD 0.6 billion, reflecting shares repurchased under our share repurchase programs of USD 2.6 billion, partly offset by the use of the capital reserve for potential share repurchases of USD 2.0 billion. The capital reserve for potential share repurchases was fully utilized during 2021.

› **Refer to "UBS shares" in this section for more information about our share repurchase programs**

Our loss-absorbing additional tier 1 (AT1) capital decreased by USD 1.1 billion to USD 15.2 billion, mainly due to two calls of USD 2.6 billion of AT1 capital instruments denominated in US dollars and foreign currency translation and interest rate risk hedge effects, partly offset by two issuances of USD 2.25 billion of AT1 capital instruments denominated in US dollars. ▲

#### Gone concern loss-absorbing capacity and movement

Audited | Our total gone concern loss-absorbing capacity decreased by USD 1.3 billion to USD 44.3 billion as of 31 December 2021 and included USD 41.1 billion of TLAC-eligible senior unsecured debt. ▲

The decrease was mainly due to four TLAC-eligible senior unsecured debt instruments denominated in US dollars, euro and Swiss francs that ceased to be eligible as they had less than one year to maturity, the call of a low-trigger tier 2 capital instrument denominated in euro, a low-trigger loss-absorbing tier 2 capital instrument denominated in US dollars that ceased to be eligible as it had less than one year to maturity, and the call of a TLAC-eligible senior unsecured debt instrument denominated in euro, as well as interest rate risk hedge, foreign currency translation and other effects. These decreases were partly offset by 16 issuances of TLAC-eligible senior unsecured debt instruments denominated in euro, US dollars, Swiss francs, pounds sterling and Australian dollars.

#### Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio increased 1.2 percentage points to 15.0%, reflecting a USD 5.4 billion increase in CET1 capital that was partly offset by a USD 13.1 billion increase in RWA.

Our CET1 leverage ratio increased 0.39 percentage points to 4.24% as of 31 December 2021, as the aforementioned increase in CET1 capital was partly offset by a USD 32 billion increase in LRD.

Our gone concern loss-absorbing capacity ratio decreased from 15.8% to 14.6% and our gone concern leverage ratio decreased from 4.4% to 4.1%, mainly driven by an increase in RWA and LRD, respectively, and the aforementioned decrease in gone concern loss-absorbing capacity.

**Swiss SRB total loss-absorbing capacity movement**

*USD million*

| **Going concern capital** | Swiss SRB |
|---|---|
| Common equity tier 1 capital as of 31.12.20 | 39,890 |
| Operating profit before tax | 9,484 |
| Current tax (expense) / benefit | (1,564) |
| Deferred tax assets on temporary differences | 544 |
| Goodwill and intangible assets | 519 |
| Accruals for proposed dividends to shareholders | (1,700) |
| Share repurchase program | (2,612) |
| Capital reserve for potential share repurchases | 2,000 |
| Foreign currency translation effects before tax | (570) |
| Compensation- and own share-related capital components | (441) |
| Defined benefit plans[1] | (234) |
| Other | (34) |
| Common equity tier 1 capital as of 31.12.21 | 45,281 |
| Loss-absorbing additional tier 1 capital as of 31.12.20 | 16,288 |
| Issuance of high-trigger loss-absorbing additional tier 1 capital | 2,250 |
| Call of high-trigger loss-absorbing additional tier 1 capital | (2,600) |
| Interest rate risk hedge, foreign currency translation and other effects | (731) |
| Loss-absorbing additional tier 1 capital as of 31.12.21 | 15,207 |
| Total going concern capital as of 31.12.20 | 56,178 |
| Total going concern capital as of 31.12.21 | 60,488 |
| **Gone concern loss-absorbing capacity** | |
| Tier 2 capital as of 31.12.20 | 7,744 |
| Call of low-trigger loss-absorbing tier 2 capital | (2,415) |
| Debt no longer eligible as gone concern loss-absorbing capacity due to residual tenor falling to below one year | (2,020) |
| Interest rate risk hedge, foreign currency translation and other effects | (166) |
| Tier 2 capital as of 31.12.21 | 3,144 |
| TLAC-eligible senior unsecured debt as of 31.12.20 | 37,801 |
| Issuance of TLAC-eligible senior unsecured debt | 11,956 |
| Call of TLAC-eligible senior unsecured debt | (2,027) |
| Debt no longer eligible as gone concern loss-absorbing capacity due to residual tenor falling to below one year | (4,248) |
| Interest rate risk hedge, foreign currency translation and other effects | (2,362) |
| TLAC-eligible senior unsecured debt as of 31.12.21 | 41,120 |
| Total gone concern loss-absorbing capacity as of 31.12.20 | 45,545 |
| Total gone concern loss-absorbing capacity as of 31.12.21 | 44,264 |
| **Total loss-absorbing capacity** | |
| Total loss-absorbing capacity as of 31.12.20 | 101,722 |
| Total loss-absorbing capacity as of 31.12.21 | 104,752 |

1 Includes a pension plan curtailment of USD 80 million that reduced the defined benefit obligation and a USD 254 million payment of the second installment to employees' retirement assets in the Swiss pension fund. As announced in 2018, a similar contribution will be made in the first quarter of 2022. Refer to "Note 29 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of the Annual Report 2019 for more information.

## Additional information

### Active management of sensitivity to foreign exchange movements

Group Treasury is mandated to minimize adverse effects from changes in foreign currency rates on our CET1 capital and / or CET1 capital ratio. A significant portion of our CET1 capital and RWA is denominated in Swiss francs, euro, pounds sterling and other currencies. In order to hedge the CET1 capital ratio, CET1 capital needs to have foreign currency exposure, leading to foreign currency rates sensitivity of CET1 capital.

As a consequence, it is not possible to simultaneously fully hedge CET1 capital and the CET1 capital ratio. As the proportion of RWA denominated in currencies other than the US dollar outweighs CET1 capital in such currencies, a significant appreciation of the US dollar against such currencies could benefit our capital ratios, while a significant depreciation of the US dollar against these currencies could adversely affect our capital ratios.

The Group Asset and Liability Committee (the Group ALCO), a committee of the Group Executive Board, has mandated Group Treasury to adjust the currency mix of CET1 capital, within limits set by the BoD, to balance the effect of foreign exchange movements on CET1 capital and the CET1 capital ratio. Limits are in place for the sensitivity of both CET1 capital and the CET1 capital ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies.

### Sensitivity to currency movements

#### *Risk-weighted assets*

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 13 billion and our CET1 capital by USD 1.4 billion as of 31 December 2021 (31 December 2020: USD 13 billion and USD 1.3 billion, respectively) and decreased our CET1 capital ratio 15 basis points (31 December 2020: 15 basis points).

Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our RWA by USD 11 billion and our CET1 capital by USD 1.3 billion (31 December 2020: USD 12 billion and USD 1.2 billion, respectively) and increased our CET1 capital ratio 14 basis points (31 December 2020: 15 basis points).

*Leverage ratio denominator*

Our leverage ratio is also sensitive to foreign exchange movements as a result of the currency mix of our capital and LRD. When adjusting the currency mix in capital, potential effects on the going concern leverage ratio are taken into account and the sensitivity of the going concern leverage ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies is actively monitored.

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 63 billion as of 31 December 2021 (31 December 2020: USD 65 billion) and decreased our Swiss SRB going concern leverage ratio 15 basis points (31 December 2020: 16 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our LRD by USD 57 billion (31 December 2020: USD 58 billion) and increased our Swiss SRB going concern leverage ratio 16 basis points (31 December 2020: 16 basis points).

The aforementioned sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

### Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report. We have employed for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this basis, we estimate the maximum loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.0 billion as of 31 December 2021, with no change to prior year-end. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

› **Refer to "Non-financial risk" in the "Risk management and control" section of this report for more information**

› **Refer to "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information**

### Capital and capital ratios of our significant regulated subsidiaries

UBS Group AG is a holding company conducting substantially all operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provided substantial liquidity to, subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. Regulatory capital components and capital ratios of our significant regulated subsidiaries determined under the regulatory framework of each subsidiary's home jurisdiction are provided in the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report. Supervisory authorities generally have discretion to impose higher requirements, or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, and may limit the ability of the entity to engage in new activities or take capital actions based on the results of those tests.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more capital and other regulatory information about our significant regulated subsidiaries and sub-groups**

### Joint liability of UBS AG and UBS Switzerland AG

In June 2015, upon the transfer of the Personal & Corporate Banking and Global Wealth Management businesses booked in Switzerland from UBS AG to UBS Switzerland AG, UBS AG and UBS Switzerland AG assumed joint liability for obligations transferred to UBS Switzerland AG and existing at UBS AG, respectively. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

The joint liability amounts have declined as obligations matured, terminated or were novated following the transfer date. As of 31 December 2021, the liability of UBS Switzerland AG amounted to CHF 5.2 billion (the equivalent of USD 5.7 billion), a decrease of CHF 3.7 billion (USD 4.4 billion) compared with 31 December 2020. The respective liability of UBS AG has been substantially extinguished.

# Risk-weighted assets

## RWA development in 2021

During 2021, RWA increased by USD 13.1 billion to USD 302.2 billion, primarily driven by increases of USD 12.0 billion in credit and counterparty credit risk RWA, USD 1.0 billion in operational risk RWA and USD 0.9 billion in non-counterparty-related risk. These increases were partly offset by a decrease of USD 0.8 billion in market risk RWA.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about RWA movements and definitions of RWA movement key drivers**

### Movement in risk-weighted assets by key driver

| *USD billion* | RWA as of 31.12.20 | Currency effects | Methodology and policy changes | Model updates / changes | Regulatory add-ons | Asset size and Other[1] | RWA as of 31.12.21 |
|---|---|---|---|---|---|---|---|
| Credit and counterparty credit risk[2] | 178.1 | (4.1) | 2.0 | 5.3 | 3.1 | 5.8 | 190.1 |
| Non-counterparty-related risk[3] | 23.4 | (0.3) | | | | 1.2 | 24.3 |
| Market risk | 11.8 | | | (0.1) | 3.1[4] | (3.7) | 11.1 |
| Operational risk | 75.8 | | | 1.0 | | | 76.7 |
| Total | 289.1 | (4.4) | 2.0 | 6.1 | 6.2 | 3.2 | 302.2 |

1 Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties," "Acquisitions and disposals" and "Other." Refer to the 31 December 2021 Pillar 3 Report under "Pillar 3 disclosures" at ubs.com/investors for more information. 2 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book and securitization exposures in the banking book. 3 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences, property, equipment, software and other items. 4 As of 31 December 2021, the regulatory add-on related to time decay was USD 3.5 billion.

### Credit and counterparty credit risk

Credit and counterparty credit risk RWA increased by USD 12.0 billion to USD 190.1 billion as of 31 December 2021. This increase was partly driven by asset size and other movements of USD 5.8 billion, due to an increase in asset size of USD 8.8 billion, mainly due to loan growth in Global Wealth Management, partly offset by asset quality movements of USD 3.1 billion, mainly reflecting improvements in counterparty ratings and loss given default (LGD) in Global Wealth Management and Personal & Corporate Banking. Also, 2021 included increases from model updates of USD 5.3 billion, regulatory add-ons of USD 3.1 billion, and methodology and policy changes of USD 2.0 billion. These increases were partly offset by decreases from currency effects of USD 4.1 billion.

### Movement in credit and counterparty credit risk RWA by key driver[1]

| *USD billion* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Group |
|---|---|---|---|---|---|---|
| Total credit and counterparty credit risk RWA as of 31.12.20 | 46.7 | 62.8 | 2.9 | 58.5 | 7.2 | 178.1 |
| Asset size | 5.5 | 1.1 | 0.3 | 1.8 | 0.1 | 8.8 |
| Asset quality | (1.3) | (1.1) | 0.0 | (0.4) | (0.3) | (3.1) |
| Model updates | 4.3 | 1.2 | 0.0 | (0.2) | 0.0 | 5.3 |
| Methodology and policy changes | 1.7 | 0.3 | 0.0 | 0.0 | 0.0 | 2.0 |
| Regulatory add-ons | 0.2 | 0.7 | 0.0 | 2.3 | (0.1) | 3.1 |
| Acquisitions and disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign exchange movements | (0.6) | (1.6) | 0.0 | (1.4) | (0.5) | (4.1) |
| Other | 0.4 | (0.4) | 0.0 | 0.0 | 0.0 | 0.1 |
| Total movement | 10.2 | 0.2 | 0.3 | 2.1 | (0.8) | 12.0 |
| Total credit and counterparty credit risk RWA as of 31.12.21 | 56.9 | 63.0 | 3.2 | 60.5 | 6.4 | 190.1 |

1 Refer to the 31 December 2021 Pillar 3 Report under "Pillar 3 disclosures" at ubs.com/investors for the definitions of credit and counterparty credit risk RWA movement categories.

### *Model updates*
The increase in credit and counterparty credit risk RWA from model updates of USD 5.3 billion was primarily driven by the phase-in impacts for structured margin loans and similar products in Global Wealth Management of USD 2.1 billion and by new probability of default (PD) and LGD models for the mortgage portfolio in the US of USD 2.0 billion. In addition, we have updated the LGD model for mortgages in Switzerland, which resulted in an RWA increase of USD 0.9 billion and was partly offset by an RWA reduction of USD 0.3 billion related to the introduction of new models for the leasing of aircraft and industrial goods.

› **Refer to "Credit risk models" in the "Risk management and control" section of this report for more information about model updates**

### *Methodology changes*
The increase in credit and counterparty credit risk RWA from methodology changes of USD 2.0 billion was primarily driven by a change related to credit valuation adjustment (CVA) risk for derivative exposures with Lombard clients that resulted in an increase of USD 1.1 billion in RWA. Additionally, the approach used for the covered bonds within the high-quality liquid asset (HQLA) portfolio has been changed from the advanced internal ratings-based (A-IRB) approach to the standardized approach, as requested by FINMA, resulting in an RWA increase of USD 1.0 billion.

### *Regulatory add-ons*
The increase in credit and counterparty credit risk RWA from regulatory add-ons of USD 3.1 billion was primarily driven by add-ons for prime brokerage clients of USD 2.4 billion, credit card exposures in Switzerland of USD 0.5 billion, as well as clients leasing aircraft and industrial goods of USD 0.4 billion.

› **Refer to the "Risk management and control" section of this report and the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about credit and counterparty credit risk developments**

We expect that further methodology changes and model updates, as well as regulatory add-ons, will increase credit and counterparty credit risk RWA by around USD 10 billion in 2022. The extent and timing of RWA changes may vary as methodology changes and model updates are completed and receive regulatory approval. In addition, changes in the composition of the relevant portfolios and other market factors will affect RWA.

## Non-counterparty-related risk

Non-counterparty credit risk RWA increased by USD 0.9 billion to USD 24.3 billion as of 31 December 2021, primarily driven by an increase in deferred tax assets on temporary differences.

## Market risk

Market risk RWA decreased by USD 0.8 billion to USD 11.1 billion as of 31 December 2021, primarily driven by a decrease of USD 3.7 billion from portfolio and market movements, mostly in the Investment Bank's Global Markets business. This was partly offset by an increase from regulatory add-ons of USD 3.1 billion, primarily related to time decay. The integration of time decay into the regulatory VaR model is subject to further discussions between FINMA and UBS.

› **Refer to the "Risk management and control" section of this report and the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about market risk developments**

## Operational risk

Operational risk RWA increased by USD 1.0 billion to USD 76.7 billion as of 31 December 2021, driven by the annual recalibration of the AMA model used for the calculation of operational risk capital. Allocations to the business divisions changed in the fourth quarter of 2021, as certain historical losses dropped from the time window that is relevant for the internal allocation approach.

We are assessing the effect of the verdict in the French cross-border matter and the corresponding changes in provisions for litigation, regulatory and similar matters on operational risk RWA in consultation with FINMA. We expect to reflect additional operational risk RWA in the first quarter of 2022, with a potential single-digit billion US dollar operational risk RWA impact following completion of this assessment.

› **Refer to "Advanced measurement approach model" in the "Risk management and control" section of this report for more information about the AMA model**

### Risk-weighted assets by business division and Group Functions

| *USD billion* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total RWA |
|---|---|---|---|---|---|---|
| | | | 31.12.21 | | | |
| Credit and counterparty credit risk[1] | 56.9 | 63.0 | 3.2 | 60.5 | 6.4 | 190.1 |
| Non-counterparty-related risk[2] | 6.2 | 2.0 | 0.6 | 3.5 | 12.0 | 24.3 |
| Market risk | 1.6 | 0.0 | | 8.1 | 1.5 | 11.1 |
| Operational risk | 35.2 | 8.1 | 3.0 | 20.2 | 10.3 | 76.7 |
| Total | 99.8 | 73.2 | 6.9 | 92.2 | 30.1 | 302.2 |
| | | | 31.12.20 | | | |
| Credit and counterparty credit risk[1] | 46.7 | 62.8 | 2.9 | 58.5 | 7.2 | 178.1 |
| Non-counterparty-related risk[2] | 6.2 | 2.1 | 0.7 | 3.6 | 10.7 | 23.4 |
| Market risk | 1.4 | 0.0 | | 9.0 | 1.4 | 11.8 |
| Operational risk | 32.8 | 7.2 | 3.3 | 23.2 | 9.3 | 75.8 |
| Total | 87.2 | 72.1 | 6.9 | 94.3 | 28.7 | 289.1 |
| | | | 31.12.21 vs 31.12.20 | | | |
| Credit and counterparty credit risk[1] | 10.2 | 0.2 | 0.3 | 2.1 | (0.8) | 12.0 |
| Non-counterparty-related risk[2] | 0.0 | (0.1) | (0.1) | (0.2) | 1.2 | 0.9 |
| Market risk | 0.1 | 0.0 | | (0.9) | 0.1 | (0.8) |
| Operational risk | 2.4 | 0.9 | (0.3) | (3.0) | 1.0 | 1.0 |
| Total | 12.7 | 1.1 | (0.1) | (2.0) | 1.5 | 13.1 |

1 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book and securitization exposures in the banking book. 2 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (31 December 2021: USD 11.4 billion; 31 December 2020: USD 10.0 billion), as well as property, equipment, software and other items (31 December 2021: USD 12.9 billion; 31 December 2020: USD 13.4 billion).

# Leverage ratio denominator

LRD increased by USD 32 billion to USD 1,069 billion as of 31 December 2021, driven by asset size and other movements of USD 54 billion, partly offset by a decrease due to currency effects of USD 23 billion.

**Movement in leverage ratio denominator by key driver**

| *USD billion* | LRD as of 31.12.20[1] | Currency effects | Asset size and other | LRD as of 31.12.21 |
|---|---|---|---|---|
| On-balance sheet exposures (excluding derivative exposures and SFTs)[2] | 806.6 | (17.0) | 57.8 | 847.4 |
| Derivative exposures | 96.6 | (2.7) | (3.0) | 90.9 |
| Securities financing transactions | 115.3 | (2.3) | (3.9) | 109.2 |
| Off-balance sheet items | 31.3 | (0.7) | 2.2 | 32.8 |
| Deduction items | (12.8) | 0.1 | 1.2 | (11.5) |
| Total | 1,037.1 | (22.6) | 54.3 | 1,068.9 |

1 The respective period shown ending on 31 December 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section and to "Application of the temporary COVID-19-related FINMA exemption of central bank sight deposits" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020, available under "Annual reporting" at ubs.com/investors, for more information. 2 The exposures exclude derivative financial instruments, cash collateral receivables on derivative instruments, receivables from SFTs, and margin loans, as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to SFTs. These exposures are presented separately under Derivative exposures and Securities financing transactions in this table.

The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivative exposures and SFTs) increased by USD 58 billion, mainly driven by an increase in central bank balances partly offset by disposal of high-quality liquid asset (HQLA) securities in Group Treasury, as well as higher lending balances, mainly in Global Wealth Management, and trading assets in the Investment Bank.

Derivative exposures decreased by USD 3 billion, reflecting market-driven movements and lower client volumes mainly in the Investment Bank.

SFTs decreased by USD 4 billion, mainly due to lower prime brokerage receivables and margin loan repayments as a result of client activities in the Investment Bank.

› **Refer to "Balance sheet and off-balance sheet" in this section for more information about balance sheet movements**

## Leverage ratio denominator by business division and Group Functions

| USD billion | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| | | | 31.12.21 | | | |
| Total IFRS assets | 395.2 | 225.4 | 25.6 | 346.4 | 124.5 | 1,117.2 |
| Difference in scope of consolidation[1] | 0.0 | 0.0 | (21.5) | (0.1) | 0.0 | (21.6) |
| Less: derivative exposures and SFTs[2] | (25.9) | (11.8) | (0.1) | (159.2) | (51.2) | (248.2) |
| On-balance sheet exposures | 369.3 | 213.6 | 4.1 | 187.1 | 73.3 | 847.4 |
| Derivative exposures | 5.8 | 1.4 | 0.0 | 79.0 | 4.7 | 90.9 |
| Securities financing transactions | 22.6 | 10.9 | 0.0 | 45.7 | 29.9 | 109.2 |
| Off-balance sheet items | 7.2 | 17.5 | 0.0 | 7.6 | 0.5 | 32.8 |
| Items deducted from Swiss SRB tier 1 capital | (5.3) | (0.2) | (1.2) | (0.3) | (4.4) | (11.5) |
| Total | 399.6 | 243.2 | 2.9 | 319.2 | 104.0 | 1,068.9 |
| | | | 31.12.20[3] | | | |
| Total IFRS assets | 367.7 | 231.7 | 28.6 | 369.7 | 128.1 | 1,125.8 |
| Difference in scope of consolidation[1] | (0.1) | | (21.1) | 0.0 | 0.1 | (21.2) |
| Less: derivative exposures and SFTs[2] | (34.0) | (16.7) | (0.7) | (191.6) | (54.9) | (298.0) |
| On-balance sheet exposures | 333.6 | 215.0 | 6.7 | 178.0 | 73.3 | 806.6 |
| Derivative exposures | 6.6 | 2.0 | 0.0 | 82.7 | 5.3 | 96.6 |
| Securities financing transactions | 30.1 | 15.1 | 0.7 | 46.5 | 22.9 | 115.3 |
| Off-balance sheet items | 6.1 | 16.3 | 0.0 | 8.5 | 0.4 | 31.3 |
| Items deducted from Swiss SRB tier 1 capital | (5.2) | (0.1) | (1.6) | (0.3) | (5.5) | (12.8) |
| Total | 371.2 | 248.3 | 5.8 | 315.5 | 96.2 | 1,037.1 |
| | | | 31.12.21 vs 31.12.20 | | | |
| Total IFRS assets | 27.5 | (6.3) | (2.9) | (23.3) | (3.6) | (8.6) |
| Difference in scope of consolidation[1] | 0.1 | 0.0 | (0.4) | (0.1) | (0.1) | (0.5) |
| Less: derivative exposures and SFTs[2] | 8.1 | 4.9 | 0.7 | 32.5 | 3.7 | 49.8 |
| On-balance sheet exposures | 35.7 | (1.4) | (2.7) | 9.1 | 0.0 | 40.8 |
| Derivative exposures | (0.8) | (0.6) | 0.0 | (3.7) | (0.6) | (5.7) |
| Securities financing transactions | (7.5) | (4.2) | (0.7) | (0.8) | 7.0 | (6.2) |
| Off-balance sheet items | 1.1 | 1.2 | | (0.9) | 0.1 | 1.5 |
| Items deducted from Swiss SRB tier 1 capital | (0.1) | 0.0 | 0.4 | 0.0 | 1.1 | 1.3 |
| Total | 28.4 | (5.1) | (2.9) | 3.7 | 7.7 | 31.7 |

1 Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. 2 The exposures consist of derivative financial instruments, cash collateral receivables on derivative instruments, receivables from SFTs, and margin loans, as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to SFTs, all of which are in accordance with the regulatory scope of consolidation. These exposures are presented separately under Derivative exposures and Securities financing transactions in this table. 3 The respective period shown ending on 31 December 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section and to "Application of the temporary COVID-19-related FINMA exemption of central bank sight deposits" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020, available under "Annual reporting" at ubs.com/investors, for more information.

# UBS AG consolidated total loss-absorbing capacity and leverage ratio information

## Going and gone concern requirements and information

UBS is considered an SRB under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the "Capital, liquidity and funding, and balance sheet" section of this report.

› **Refer to "Regulatory framework" in this section for more information about total loss-absorbing capacity, leverage ratio requirements and gone concern rebate**

UBS AG is subject to going and gone concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone is provided under "Holding company and significant regulated subsidiaries and sub-groups" at *ubs.com/investors* and in the 31 December 2021 Pillar 3 Report available under "Pillar 3 disclosures" at *ubs.com/investors*.

The table on the next page provides the RWA- and LRD-based requirements and information as of 31 December 2021 for UBS AG consolidated.

## Swiss SRB going and gone concern requirements and information

| As of 31.12.21 | RWA | | LRD | |
|---|---|---|---|---|
| *USD million, except where indicated* | in % | | in % | |
| **Required going concern capital** | | | | |
| Total going concern capital | 14.32[1] | 42,824 | 5.00[1] | 53,384 |
| Common equity tier 1 capital | 10.02 | 29,966 | 3.50[2] | 37,369 |
| *of which: minimum capital* | *4.50* | *13,455* | *1.50* | *16,015* |
| *of which: buffer capital* | *5.50* | *16,445* | *2.00* | *21,354* |
| *of which: countercyclical buffer* | *0.02* | *66* | | |
| Maximum additional tier 1 capital | 4.30 | 12,857 | 1.50 | 16,015 |
| *of which: additional tier 1 capital* | *3.50* | *10,465* | *1.50* | *16,015* |
| *of which: additional tier 1 buffer capital* | *0.80* | *2,392* | | |
| **Eligible going concern capital** | | | | |
| Total going concern capital | 18.54 | 55,434 | 5.19 | 55,434 |
| Common equity tier 1 capital | 13.91 | 41,594 | 3.90 | 41,594 |
| Total loss-absorbing additional tier 1 capital[3] | 4.63 | 13,840 | 1.30 | 13,840 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *3.82* | *11,414* | *1.07* | *11,414* |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | *0.81* | *2,426* | *0.23* | *2,426* |
| **Required gone concern capital[4]** | | | | |
| Total gone concern loss-absorbing capacity[5] | 10.74 | 32,100 | 3.78 | 40,343 |
| *of which: base requirement* | *12.86* | *38,452* | *4.50* | *48,046* |
| *of which: additional requirement for market share and LRD* | *1.44* | *4,306* | *0.50* | *5,338* |
| *of which: applicable reduction on requirements* | *(3.56)* | *(10,658)* | *(1.22)* | *(13,041)* |
| *of which: rebate granted (equivalent to 55% of maximum rebate)* | *(3.14)* | *(9,374)* | *(1.10)* | *(11,744)* |
| *of which: reduction for usage of low-trigger tier 2 capital instruments* | *(0.43)* | *(1,284)* | *(0.12)* | *(1,297)* |
| **Eligible gone concern capital** | | | | |
| Total gone concern loss-absorbing capacity | 14.80 | 44,264 | 4.15 | 44,264 |
| Total tier 2 capital | 1.05 | 3,144 | 0.29 | 3,144 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *0.87* | *2,596* | *0.24* | *2,596* |
| *of which: non-Basel III-compliant tier 2 capital* | *0.18* | *547* | *0.05* | *547* |
| TLAC-eligible senior unsecured debt | 13.75 | 41,120 | 3.85 | 41,120 |
| **Total loss-absorbing capacity** | | | | |
| Required total loss-absorbing capacity | 25.06 | 74,923 | 8.78 | 93,727 |
| Eligible total loss-absorbing capacity | 33.34 | 99,698 | 9.34 | 99,698 |
| **Risk-weighted assets / leverage ratio denominator** | | | | |
| Risk-weighted assets | | 299,005 | | |
| Leverage ratio denominator | | | | 1,067,679 |

1 Includes applicable add-ons of 1.44% for RWA and 0.50% for LRD. 2 Our minimum CET1 leverage ratio requirement of 3.5% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.25% market share add-on requirement based on our Swiss credit business. 3 The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and qualify as going concern capital at the UBS AG consolidated level, as agreed with FINMA. 4 A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. 5 The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments is floored at 8.6% and 3% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 5.7 percentage points for the RWA-based requirement of 14.3% and 2.0 percentage points for the LRD-based requirement of 5.0%.

## Swiss SRB going and gone concern information

| *USD million, except where indicated* | 31.12.21 | 31.12.20 |
|---|---|---|
| **Eligible going concern capital** | | |
| Total going concern capital | 55,434 | 52,610 |
| Total tier 1 capital | 55,434 | 52,610 |
| Common equity tier 1 capital | 41,594 | 38,181 |
| Total loss-absorbing additional tier 1 capital | 13,840 | 14,430 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *11,414* | *11,854* |
| *of which: low-trigger loss-absorbing additional tier 1 capital*[1] | *2,426* | *2,575* |
| **Eligible gone concern capital** | | |
| Total gone concern loss-absorbing capacity | 44,264 | 45,545 |
| Total tier 2 capital | 3,144 | 7,744 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *2,596* | *7,201* |
| *of which: non-Basel III-compliant tier 2 capital* | *547* | *543* |
| TLAC-eligible senior unsecured debt | 41,120 | 37,801 |
| **Total loss-absorbing capacity** | | |
| Total loss-absorbing capacity | 99,698 | 98,155 |
| **Risk-weighted assets / leverage ratio denominator** | | |
| Risk-weighted assets | 299,005 | 286,743 |
| Leverage ratio denominator | 1,067,679 | 1,036,771[2] |
| **Capital and loss-absorbing capacity ratios (%)** | | |
| Going concern capital ratio | 18.5 | 18.3 |
| *of which: common equity tier 1 capital ratio* | *13.9* | *13.3* |
| Gone concern loss-absorbing capacity ratio | 14.8 | 15.9 |
| Total loss-absorbing capacity ratio | 33.3 | 34.2 |
| **Leverage ratios (%)**[2] | | |
| Going concern leverage ratio | 5.2 | 5.1 |
| *of which: common equity tier 1 leverage ratio* | *3.90* | *3.68* |
| Gone concern leverage ratio | 4.1 | 4.4 |
| Total loss-absorbing capacity leverage ratio | 9.3 | 9.5 |

1 The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and qualify as going concern capital of UBS AG, as agreed with FINMA. 2 The leverage ratio denominator (LRD) and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to "UBS AG consolidated total loss-absorbing capacity and leverage ratio information" in the "Capital, liquidity and funding, and balance sheet" section of the combined UBS Group AG and UBS AG Annual Report 2020, available under "Annual reporting" at ubs.com/investors, for more information.

## UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

The going concern capital of UBS AG consolidated was USD 5.1 billion lower than the going concern capital of UBS Group AG consolidated as of 31 December 2021, reflecting lower CET1 capital of USD 3.7 billion and lower going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.4 billion.

The aforementioned difference in CET1 capital was primarily due to a lower UBS AG consolidated IFRS equity of USD 2.6 billion and higher UBS AG accruals for dividends, as well as a higher capital deduction at the UBS AG consolidated level related to deferred tax assets on temporary differences. The aforementioned factors were partly offset by compensation-related regulatory capital accruals at the UBS Group AG level.

The going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 1.4 billion lower than that of UBS Group AG consolidated as of 31 December 2021, mainly reflecting deferred contingent capital plan awards granted at Group level to eligible employees for the performance years 2016 to 2020, partly offset by two loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 31 December 2021, the going concern leverage ratio of UBS AG consolidated was 0.5 percentage points lower than that of UBS Group AG consolidated, mainly because the going concern capital of UBS AG consolidated was USD 5.1 billion lower.

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### Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)

As of 31.12.21

| *USD million* | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference |
|---|---|---|---|
| Total IFRS equity | 61,002 | 58,442 | 2,559 |
| Equity attributable to non-controlling interests | (340) | (340) | |
| Defined benefit plans, net of tax | (270) | (270) | |
| Deferred tax assets recognized for tax loss carry-forwards | (4,565) | (4,565) | |
| Deferred tax assets on temporary differences, excess over threshold | (49) | (350) | 302 |
| Goodwill, net of tax | (5,838) | (5,838) | |
| Intangible assets, net of tax | (180) | (180) | |
| Compensation-related components (not recognized in net profit) | (1,700) | | (1,700) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (482) | (482) | |
| Unrealized (gains) / losses from cash flow hedges, net of tax | (628) | (628) | |
| Own credit related to gains / losses on financial liabilities measured at fair value that existed at the balance sheet date | 315 | 315 | |
| Own credit related to gains / losses on derivative financial instruments that existed at the balance sheet date | (50) | (50) | |
| Unrealized gains related to debt instruments at fair value through OCI, net of tax | (68) | (68) | |
| Prudential valuation adjustments | (167) | (167) | |
| Accruals for dividends to shareholders | (1,700) | (4,200) | 2,500 |
| Other | 1 | (24) | 25 |
| Total common equity tier 1 capital | 45,281 | 41,594 | 3,687 |

## Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

As of 31.12.21

| *USD million, except where indicated* | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference |
|---|---|---|---|
| **Eligible going concern capital** | | | |
| Total going concern capital | 60,488 | 55,434 | 5,054 |
| Total tier 1 capital | 60,488 | 55,434 | 5,054 |
| Common equity tier 1 capital | 45,281 | 41,594 | 3,687 |
| Total loss-absorbing additional tier 1 capital | 15,207 | 13,840 | 1,368 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *12,783* | *11,414* | *1,369* |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | *2,425* | *2,426* | *(1)* |
| **Eligible gone concern capital** | | | |
| Total gone concern loss-absorbing capacity | 44,264 | 44,264 | 0 |
| Total tier 2 capital | 3,144 | 3,144 | 0 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *2,596* | *2,596* | *0* |
| *of which: non-Basel III-compliant tier 2 capital* | *547* | *547* | *0* |
| TLAC-eligible senior unsecured debt | 41,120 | 41,120 | 0 |
| **Total loss-absorbing capacity** | | | |
| Total loss-absorbing capacity | 104,752 | 99,698 | 5,054 |
| **Risk-weighted assets / leverage ratio denominator** | | | |
| Risk-weighted assets | 302,209 | 299,005 | 3,204 |
| Leverage ratio denominator | 1,068,862 | 1,067,679 | 1,183 |
| **Capital and loss-absorbing capacity ratios (%)** | | | |
| Going concern capital ratio | 20.0 | 18.5 | 1.5 |
| *of which: common equity tier 1 capital ratio* | *15.0* | *13.9* | *1.1* |
| Gone concern loss-absorbing capacity ratio | 14.6 | 14.8 | (0.2) |
| Total loss-absorbing capacity ratio | 34.7 | 33.3 | 1.3 |
| **Leverage ratios (%)** | | | |
| Going concern leverage ratio | 5.7 | 5.2 | 0.5 |
| *of which: common equity tier 1 leverage ratio* | *4.24* | *3.90* | *0.34* |
| Gone concern leverage ratio | 4.1 | 4.1 | 0.0 |
| Total loss-absorbing capacity leverage ratio | 9.8 | 9.3 | 0.5 |

# Equity attribution and return on attributed equity

Under our equity attribution framework, tangible equity is attributed based on a weighting of 50% each for average risk-weighted assets (RWA) and average leverage ratio denominator (LRD), which both include resource allocations from Group Functions to the business divisions (the BDs). Average RWA and LRD are converted to common equity tier 1 (CET1) capital equivalents using capital ratios of 12.5% and 3.75%, respectively. If the attributed tangible equity calculated under the weighted-driver approach is less than the CET1 capital equivalent of risk-based capital (RBC) for any BD, the CET1 capital equivalent of RBC is used as a floor for that BD.

In addition to tangible equity, we allocate equity to the BDs to support goodwill and intangible assets.

Furthermore, we allocate to the BDs attributed equity related to certain CET1 deduction items, such as compensation-related components and expected losses on the advanced internal ratings-based portfolio less provisions.

We attribute all remaining Basel III capital deduction items to Group Functions. These items include deferred tax assets (DTAs) recognized for tax loss carry-forwards, DTAs on temporary differences in excess of the threshold, accruals for shareholder returns, and unrealized gains from cash flow hedges.

› **Refer to "Balance sheet and off-balance sheet" in this section for more information about movements in equity attributable to shareholders**

**Average attributed equity**

| | For the year ended | | |
|---|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.19 |
| Global Wealth Management | 18.8 | 17.1 | 16.6 |
| Personal & Corporate Banking | 9.2 | 8.9 | 8.4 |
| Asset Management | 2.0 | 2.0 | 1.8 |
| Investment Bank | 13.0 | 12.6 | 12.3 |
| Group Functions | 16.3 | 17.4 | 15.1 |
| *of which: deferred tax assets[1]* | *5.9* | *6.7* | *7.1* |
| *of which: related to retained RWA and LRD[2,3]* | *3.2* | *3.4* | *2.8* |
| *of which: accruals for shareholder returns and others[4]* | *7.2* | *7.2* | *5.1* |
| Average equity attributed to business divisions and Group Functions | 59.3 | 57.8 | 54.2 |

1 Includes average attributed equity related to the Basel III capital deduction items for deferred tax assets (deferred tax assets recognized for tax loss carry-forwards and deferred tax assets on temporary differences, excess over threshold), as well as retained RWA and LRD related to deferred tax assets. 2 Excludes average attributed equity related to retained RWA and LRD related to deferred tax assets. 3 The temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19 was not applied when calculating average attributed equity for 2020. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 4 Includes attributed equity related to dividend accruals, unrealized gains from cash flow hedges, and a balancing item for capital held in excess of the 12.5% / 3.75% capital and leverage ratio calibration thresholds for equity attribution.

**Return on attributed equity[1]**

| | For the year ended | | |
|---|---|---|---|
| *In %* | 31.12.21 | 31.12.20 | 31.12.19 |
| Global Wealth Management | 25.4 | 23.6 | 20.5 |
| Personal & Corporate Banking | 18.9 | 14.2 | 17.1 |
| Asset Management | 51.8 | 74.2 | 29.7 |
| Investment Bank | 20.3 | 19.7 | 6.4 |

1 Return on attributed equity for Group Functions is not shown, as it is not meaningful.

# Liquidity and funding management

We manage the structural risks of our balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as liquidity and funding risks. This section provides information about regulatory requirements and the firm's governance structure, liquidity and funding management (including sources of liquidity and funding), contingency planning, and stress testing. The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions.

## Strategy, objectives and governance

Audited | Our management of balance sheet, liquidity and funding positions has the overall objective of optimizing our franchise's value across a broad range of market conditions while considering current and future regulatory constraints. We employ a number of measures to monitor these positions under normal and stressed conditions. In particular, we use stress scenarios to apply behavioral adjustments to our balance sheet and calibrate the results from internal stress models while in compliance with external measures, primarily the liquidity coverage ratio (the LCR) and the net stable funding ratio (the NSFR). Our liquidity and funding strategy is proposed by Group Treasury and approved by the Group Asset and Liability Committee (the Group ALCO), which is a committee of the Group Executive Board (the GEB) that is overseen by the Risk Committee of the Board of Directors (the BoD). ▲

Group Treasury monitors and oversees the implementation and execution of our liquidity and funding strategy and is responsible for adherence to policies, limits, triggers and targets. This enables close control of both our cash and collateral, including our high-quality liquid assets, and centralizes the Group's general access to wholesale cash markets in Group Treasury. In addition, should a crisis require contingency funding measures to be invoked, Group Treasury is responsible for coordinating liquidity generation with representatives of the relevant business areas. Group Treasury reports on the Group's overall liquidity and funding position, including funding status and concentration risks, at least monthly, to the Group ALCO and the Risk Committee of the BoD.

Audited | Liquidity and funding limits, triggers and targets are set at Group and, where appropriate, at legal entity and business division levels, and are reviewed and reconfirmed at least once a year by the BoD, the Group ALCO, the Group Chief Financial Officer, the Group Chief Risk Officer, the Group Treasurer and the business divisions, taking into consideration current and projected business strategy and risk tolerance. The principles underlying our limit, trigger and target framework are designed to maximize and sustain the value of our business franchise and maintain an appropriate balance in the asset and liability structure. Structural limits, triggers and targets focus on the structure and composition of the balance sheet, with supplementary limits, triggers and targets designed to drive the utilization, diversification and allocation of funding resources. To complement and support this framework, Group Treasury monitors the markets for early warning indicators regarding the current liquidity situation. These indicators are used at the Group level to assess both the overall global and regional liquidity status for potential threats. Treasury Risk Control provides independent oversight over liquidity and funding risks. ▲

› **Refer to the "Corporate governance" and "Risk management and control" sections of this report for more information**

## Liquidity management

Audited | Our liquidity risk management aims to ensure that the firm has sufficient liquidity or access to funding sources to meet its liabilities when due, to meet prudential requirements and to survive a severe three-month idiosyncratic and market-wide liquidity stress event, allowing for discrete management actions instructed by the Group Treasurer in addition to monetizing the firm's liquidity reserves.

Our liquid assets are managed using limits, triggers and targets to maintain an appropriate level of diversification (issuer, tenor and other risk characteristics) in response to any expected or unexpected volatility in funding availability or requirements caused by adverse market, operational or other firm-specific events. The liquid asset portfolio size is managed dynamically, so as to operate at all times within the risk appetite of the BoD and relevant Group and subsidiary liquidity requirements. ▲

### Stress testing

Audited | We perform stress testing to determine the optimal asset and liability structure that enables us to maintain an appropriately balanced liquidity and funding position under various scenarios. Liquidity crisis scenario analysis and contingency funding planning support the liquidity management process and aim to ensure that immediate corrective measures to absorb potential sudden liquidity shortfalls can be put into effect. ▲

We model our liquidity exposures under two main potential scenarios: a structural market-wide scenario and a combined market and idiosyncratic scenario. We continuously refine the assumptions used to maintain a robust, actionable and tested contingency plan.

› **Refer to "Risk measurement" in the "Risk management and control" section of this report for more information about stress testing**

*Structural market-wide scenario*
As a liquidity crisis could have a myriad of causes, the structural market-wide scenario encompasses potential stress effects across all markets, currencies and products, but it is typically not firm-specific. In addition to the loss of the ability to replace maturing wholesale funding, it assumes a gradual decline of otherwise stable client deposits and liquidity outflows corresponding to a one-notch downgrade in our long-term credit rating, and a corresponding downgrade in our short-term rating.

We use a cash capital metric that incorporates the structural market-wide scenario and measures the amount of long-term funding available to fund franchise and illiquid assets. Franchise assets consist of lending exposure to clients or assets to support franchise client activities. The illiquid assets cannot easily and readily be sold or exchanged for cash without a substantial loss in value within the scenario horizon. Long-term funding used as cash capital to support franchise and illiquid assets is composed of unsecured funding with a remaining time to maturity of at least one year, deposits that have a behavioral maturity of at least one year and shareholders' equity.

*Combined market and idiosyncratic scenario*
The combined scenario represents an extreme stress event that combines a firm-specific crisis with market disruption. This scenario assumes: (i) substantial outflows of otherwise stable client deposits, mainly due on demand; (ii) inability to renew or replace maturing unsecured wholesale funding; (iii) unusually large drawdowns on loan commitments; (iv) reduced capacity to generate liquidity from trading assets; (v) liquidity outflows corresponding to a three-notch downgrade in our long-term credit rating, and a corresponding downgrade in our short-term rating; (vi) triggering contractual obligations to unwind derivative positions or to deliver additional collateral; (vii) additional collateral requirements due to adverse movements in the market values of derivatives; and (viii) elevated liquidity requirements in support of continuous payment and settlement activity. The combined scenario is run daily to project potential cash outflows under it and is assessed as part of ongoing risk management activities.

### Contingency Funding Plan

Audited | Our Group Contingency Funding Plan is an integral part of our global crisis management framework, which covers various types of crisis events. This Contingency Funding Plan contains an assessment of contingent funding sources and liquidity generative actions in a stressed environment, early warning indicators and metrics, and contingency procedures. Our funding diversification and global scope help to protect our liquidity position in the event of a crisis. We regularly assess and test all material known and expected cash flows, as well as the level and availability of high-quality collateral that could be used to raise additional funding if required. Our contingent funding sources include our high-quality liquid asset (HQLA) portfolios, available and unutilized liquidity facilities at several major central banks, contingent reductions of liquid trading portfolio assets, and other available business management actions. ▲

## Funding management

Audited | Group Treasury regularly monitors our funding status, including concentration risks, aiming to ensure that we maintain a well-balanced and diversified liability structure. Our funding management team looks to create the optimal asset and liability structure to finance our businesses reliably and cost-efficiently. Our funding activities are planned by analyzing the overall liquidity and funding profile of our balance sheet, taking into account the amount of stable funding that would be needed to support ongoing business activities through periods of difficult market conditions. ▲

The funding strategy of UBS Group AG is set annually in the Funding Plan and is reviewed on a quarterly basis. The Funding Plan is developed by Group Treasury and approved by the Group ALCO. Group Treasury proposes, sets and oversees limits, triggers and targets for funding generation, including concentration limits, weighted average maturity limits and volume. Funding diversification is monitored continuously, with a focus on product type, single-counterparty exposure (as a percentage of the total), maturity profile, and the overall contribution of a particular funding source to the liability mix.

› **Refer to "Balance sheet and off-balance sheet" in this section for more information about the development of our short-term and long-term debt during 2021**

Global Wealth Management and Personal & Corporate Banking provide significant, cost-efficient and stable sources of funding. These include core deposits and debt issued through the Swiss central mortgage institutions, which use a portion of our portfolio of Swiss residential mortgages as collateral to generate long-term funding. In addition, we have several short-, medium- and long-term funding programs under which we issue senior unsecured debt and structured notes, as well as short-term debt. These programs enable institutional and private investors who are active in the markets of Europe, the US and Asia Pacific to customize their investments in UBS's debt. Collectively, these broad product offerings and funding sources, together with the global scope of our business activities, support our funding stability.

### Internal funding and funds transfer pricing

We use an integrated liquidity and funding framework to govern the liquidity management of all our branches and subsidiaries, and our major sources of liquidity are channeled through entities that are fully consolidated. Group Treasury meets internal demands for funding by channeling funds from entities generating surplus cash to those in need of financing, except in circumstances where transfer restrictions exist.

Funding costs and benefits are allocated to our business divisions according to our liquidity and funding risk management framework. Our internal funds transfer pricing system, which is governed by Group Treasury, is designed to provide the proper liability structure to support the assets and planned activities of each business division.

## Credit ratings

Credit ratings can affect the cost and availability of funding, especially funding from wholesale unsecured sources. Our credit ratings can also influence the performance of some of our businesses and the levels of client and counterparty confidence. Rating agencies take into account a range of factors when assessing creditworthiness and setting credit ratings. These include the company's strategy, its business position and franchise value, stability and quality of earnings, capital adequacy, risk profile and management, liquidity management, diversification of funding sources, asset quality, and corporate governance. Credit ratings reflect the opinions of the rating agencies and can change at any time.

In evaluating our liquidity and funding requirements, we consider the potential effect of a reduction in our long-term credit ratings and a corresponding reduction in short-term ratings. If our credit ratings were to be downgraded, rating trigger clauses could result in an immediate cash settlement or the need to deliver additional collateral to counterparties from contractual obligations related to over-the-counter (OTC) derivative positions and other obligations. Based on our credit ratings as of 31 December 2021, in the event of a one-notch reduction in our long-term credit ratings, we would have been required to provide USD 0.0 billion in cash or other collateral. In the event of a two-notch reduction it would have been USD 0.5 billion and for a three-notch downgrade USD 0.7 billion. In all scenarios these collateral requirements predominantly relate to OTC derivative positions.

There was one main rating action with regard to UBS Group AG's and UBS AG's solicited credit ratings in 2021. On 2 March 2021, Fitch Ratings revised the outlooks for the issuer ratings of UBS Group AG, UBS AG and the rated subsidiaries from negative back to stable, reversing the outlook change on 31 March 2020, which was part of a series of rating actions over several weeks across the sector to reflect the disruption caused by the COVID-19 pandemic.

› **Refer to "Liquidity and funding management are critical to UBS's ongoing performance" in the "Risk factors" section of this report for more information**

## Liquidity coverage ratio

The LCR measures the short-term resilience of a bank's liquidity profile by comparing whether sufficient HQLA are available to survive expected net cash outflows from a significant liquidity stress scenario, as defined by the relevant regulator.

For UBS, HQLA are low-risk unencumbered assets under the control of Group Treasury that are easily and immediately convertible into cash at little or no loss of value, in order to meet liquidity needs. Our HQLA predominantly consist of assets that qualify as Level 1 in the LCR framework, including cash, central bank reserves and government bonds. Group HQLA are held by UBS AG and its subsidiaries, and may include amounts that are available to meet funding and collateral needs in certain jurisdictions, but are not readily available for use by the Group as a whole. These limitations are typically the result of local regulatory requirements, including local LCR and large exposure requirements. Funds that are effectively restricted are excluded from the calculation of Group HQLA to the extent they exceed the outflow assumptions for the subsidiary that holds the relevant HQLA. On this basis, USD 44 billion of assets were excluded from our daily average Group HQLA for the fourth quarter of 2021. Amounts held in excess of local liquidity requirements that are not subject to other restrictions are generally available for transfer within the Group.

Basel Committee on Banking Supervision (BCBS) standards require an LCR of at least 100%. In a period of financial stress, the Swiss Financial Market Supervisory Authority (FINMA) may allow banks to use their HQLA and let their LCR temporarily fall below the minimum threshold. We monitor the LCR in all significant currencies in order to manage any currency mismatches between HQLA and the net expected cash outflows in times of stress.

Our daily average LCR for the fourth quarter of 2021 was 155%, compared with 152% in the fourth quarter of 2020, remaining above the prudential requirement communicated by FINMA.

The average LCR increase was driven by a USD 14 billion increase in average HQLA to USD 228 billion, driven by higher average cash balances, which was partly offset by an increase in average net cash outflows of USD 6 billion to USD 147 billion, due to higher outflows from customer deposit balances and secured financing transactions.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information about the LCR**

› **Refer to the "Significant regulated subsidiary and sub-group information" section of this report for more information about the LCR of UBS AG and UBS Switzerland AG**

### Liquidity coverage ratio

| *USD billion, except where indicated* | Average 4Q21[1] | Average 4Q20[1] |
|---|---|---|
| High-quality liquid assets | 228 | 214 |
| Net cash outflows | 147 | 141 |
| Liquidity coverage ratio (%)[2] | 155 | 152 |

1 Calculated based on an average of 66 data points in the fourth quarter of 2021 and 63 data points in the fourth quarter of 2020. 2 Calculated after the application of haircuts and inflow and outflow rates, as well as, where applicable, caps on Level 2 assets and cash inflows.

## Net stable funding ratio

The net stable funding ratio (NSFR) framework is intended to limit overreliance on short-term wholesale funding, to encourage a better assessment of funding risk across all on- and off-balance sheet items and to promote funding stability. The NSFR has two components: available stable funding (ASF) and required stable funding (RSF). ASF is the portion of capital and liabilities expected to be available over the period of one year. RSF is a measure of the stable funding requirement of an asset based on its maturity, encumbrance and other characteristics, as well as the potential for contingent calls on funding liquidity from off-balance sheet exposures. The BCBS NSFR regulatory framework requires a ratio of at least 100%.

The NSFR regulation was finalized in the fourth quarter of 2020 with the release of the revised FINMA Circular 2015/2 "Liquidity risks – banks" and became effective on 1 July 2021.

As of 31 December 2021, our NSFR was unchanged at 119%. This reflected USD 15 billion higher available stable funding, mainly driven by an increase in debt issued designated at fair value and an increase in required stable funding of USD 15 billion, mainly reflecting higher loans and advances to customers.

### Net stable funding ratio

| *USD billion, except where indicated* | 31.12.21 | 31.12.20[1] |
|---|---|---|
| Available stable funding | 578 | 563 |
| Required stable funding | 488 | 473 |
| Net stable funding ratio (%) | 119 | 119 |

1 "Net stable funding ratio" is based on estimated pro forma reporting.

# Balance sheet and off-balance sheet

## Balance sheet

The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions.

### Balance sheet assets

As of 31 December 2021, balance sheet assets totaled USD 1,117 billion, a decrease of USD 9 billion compared with 31 December 2020, which included a decrease from currency effects of approximately USD 21 billion.

Derivatives and cash collateral receivables on derivative instruments decreased by USD 44 billion. This decrease predominantly reflected decreases in foreign exchange contracts, mainly in our Derivatives & Solutions and Financing businesses in the Investment Bank, driven by net roll-offs, partly offset by market-driven movements. In addition, interest rate contracts decreased, mainly in our Derivatives & Solutions and Financing businesses and in Non-core and Legacy Portfolio, reflecting market-driven movements as long-term interest rates increased in the year.

Other financial assets measured at amortized cost and fair value decreased by USD 21 billion, largely due to shifts within the high-quality liquid asset (HQLA) portfolio from securities into cash within Group Treasury. Brokerage receivables decreased by USD 3 billion, mainly in our Financing business in the Investment Bank, with growth in lending more than offset by an associated increase in netting effects.

These decreases were partly offset by a USD 35 billion increase in Cash and balances at central banks, predominantly in Group Treasury. The cash inflow was generated mainly from lower funding consumption by the Investment Bank, the aforementioned shifts within the HQLA portfolio from securities into cash, and net new issuances of long-term debt issued measured at amortized cost. These inflows were partly offset by outflows from higher margin requirements and an increase in net receivables from securities financing transactions, as well as currency effects.

Lending assets increased by USD 18 billion, of which USD 21 billion was in Global Wealth Management and predominantly reflected increases in Lombard loans and mortgage loans, primarily in the Americas, partly offset by currency effects. In Personal & Corporate Banking, lending assets decreased by USD 1 billion as increases in mortgage loans and corporate lending were more than offset by currency effects. Trading portfolio assets increased by USD 5 billion, mainly in our Financing business in the Investment Bank, reflecting higher inventory held to hedge client positions.

› **Refer to the "Consolidated financial statements" section of this report for more information**

**Assets**

| | As of | | % change from |
|---|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.20 |
| Cash and balances at central banks | 192.8 | 158.2 | 22 |
| Lending[1] | 413.2 | 395.0 | 5 |
| Securities financing transactions at amortized cost | 75.0 | 74.2 | 1 |
| Trading portfolio[2] | 130.8 | 125.4 | 4 |
| Derivatives and cash collateral receivables on derivative instruments | 148.7 | 192.4 | (23) |
| Brokerage receivables | 21.8 | 24.7 | (11) |
| Other financial assets measured at amortized cost and fair value[3] | 73.8 | 95.1 | (22) |
| Non-financial assets and financial assets for unit-linked investment contracts | 61.0 | 60.9 | 0 |
| Total assets | 1,117.2 | 1,125.8 | (1) |

1 Consists of loans and advances to banks and customers. 2 Consists of financial assets at fair value held for trading. 3 Consists of financial assets at fair value not held for trading, financial assets measured at fair value through other comprehensive income and other financial assets measured at amortized cost, but excludes financial assets for unit-linked investment contracts.

## Asset encumbrance

The table below provides a breakdown of on- and off-balance sheet assets between encumbered assets, unencumbered assets and assets that cannot be pledged as collateral.

Assets are presented as *Encumbered* if they have been pledged as collateral against an existing liability or are otherwise not available for securing additional funding. Included within the latter category are assets protected under client asset segregation rules, financial assets for unit-linked investment contracts, assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements.

› **Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of this report for more information**

*Assets that cannot be pledged as collateral* represents assets that are not encumbered but by their nature are not considered available to secure funding or meet collateral needs.

All other assets are presented as *Unencumbered*. Assets that are considered to be readily available to secure funding on a Group and / or legal entity level are shown separately and consist of cash and securities readily realizable in the normal course of business. These include our HQLA and unencumbered positions in our trading portfolio. Unencumbered assets that are considered to be available to secure funding on a legal entity level may be subject to restrictions that limit the total amount of assets available to the Group as a whole. Other unencumbered assets, which are not considered to be readily available to secure funding on a Group and / or legal entity level, primarily consist of loans and advances to banks.

### Asset encumbrance as of 31 December 2021

| | Encumbered | | Unencumbered | | | |
|---|---|---|---|---|---|---|
| *USD billion* | Assets pledged as collateral | Assets otherwise restricted and not available to secure funding | Cash and securities available to secure funding on a Group and / or legal entity level | Other realizable assets | Assets that cannot be pledged as collateral | Total Group |
| Balance sheet | | | | | | |
| Cash and balances at central banks | | | 192.8 | | | 192.8 |
| Loans and advances to banks | | 3.4 | | 12.1 | | 15.5 |
| Receivables from securities financing transactions | | | | | 75.0 | 75.0 |
| Cash collateral receivables on derivative instruments | | 4.7 | | | 25.8 | 30.5 |
| Loans and advances to customers | 18.2 | 1.2 | | 375.5 | 2.9 | 397.8 |
| Other financial assets measured at amortized cost | 2.2 | 0.1 | 16.6 | 1.4 | 5.9 | 26.2 |
| Total financial assets measured at amortized cost | 20.4 | 9.5 | 209.4 | 388.9 | 109.6 | 737.8 |
| Financial assets at fair value held for trading | 63.7[1] | 0.4 | 62.2 | 4.5 | | 130.8 |
| Derivative financial instruments | | | | | 118.1 | 118.1 |
| Brokerage receivables | | | | | 21.8 | 21.8 |
| Financial assets at fair value not held for trading | 1.0[1] | 22.8 | 22.7 | 7.8 | 5.9 | 60.1 |
| Total financial assets measured at fair value through profit or loss | 64.7 | 23.2 | 84.8 | 12.3 | 145.9 | 330.9 |
| Financial assets measured at fair value through other comprehensive income | 0.0 | 0.9 | 7.9 | | | 8.8 |
| Non-financial assets | | 0.0 | 5.3 | 14.1 | 20.3 | 39.7 |
| Total balance sheet assets as of 31 December 2021 | 85.1 | 33.5 | 307.5 | 415.4 | 275.7 | 1,117.2 |
| Total balance sheet assets as of 31 December 2020 | 89.5 | 32.3 | 284.0 | 395.6 | 324.3 | 1,125.8 |
| Off-balance sheet | | | | | | |
| Fair value of securities accepted as collateral as of 31 December 2021 | 367.4 | 16.3 | 106.5 | 7.6 | | 497.8 |
| Fair value of securities accepted as collateral as of 31 December 2020 | 367.3 | 12.4 | 113.4 | 7.7 | | 500.7 |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2021 | 452.5 | 49.8 | 414.0 | 423.0 | 275.7 | 1,615.0 |
| *of which: high-quality liquid assets* | | | *232.8* | | | |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2020 | 456.8 | 44.7 | 397.3 | 403.3 | 324.3 | 1,626.5 |
| *of which: high-quality liquid assets* | | | *214.1* | | | |

1 Includes assets pledged as collateral that may be sold or repledged by counterparties. The respective amounts are disclosed in "Note 23 Restricted financial assets" in the "Consolidated financial statements" section of this report.

### Assets available to secure funding on a Group and / or legal entity level by currency

| *USD billion* | 31.12.21 | 31.12.20 |
|---|---|---|
| Swiss franc | 111.4 | 109.2 |
| US dollar | 174.7 | 163.3 |
| Euro | 46.6 | 48.1 |
| Other | 81.2 | 76.7 |
| Total | 414.0 | 397.3 |

## Balance sheet liabilities

Total liabilities as of 31 December 2021 were USD 1,056 billion, a decrease of USD 10 billion compared with 31 December 2020, which included a decrease from currency effects of approximately USD 20 billion.

Derivatives and cash collateral payables on derivative instruments decreased by USD 45 billion, in line with the movement on the asset side. Trading portfolio liabilities decreased by USD 2 billion, predominantly due to lower levels of short positions held to hedge client positions. Other financial liabilities measured at amortized cost and fair value decreased by USD 2 billion, mainly in Group Treasury due to higher netting on securities financing transactions measured at fair value. Short-term borrowings decreased by USD 2 billion, mainly due to lower short-term debt issued in Global Wealth Management, partly offset by higher amounts due to banks in our Derivatives & Solutions business in the Investment Bank.

These decreases were partly offset by an increase in customer deposits of USD 17 billion. An increase of USD 22 billion in Global Wealth Management, mainly in the Americas, was partly offset by a decrease of USD 4 billion in Personal & Corporate Banking driven by currency effects. As of 31 December 2021, our ratio of customer deposits to outstanding loan balances was 136% (31 December 2020: 138%).

Debt issued designated at fair value and long-term debt issued measured at amortized cost increased by USD 16 billion, mainly driven by USD 13 billion higher debt issued designated at fair value, mainly reflecting net new issuances of equity-linked and rates-linked debt instruments, as well as market-driven movements in our Derivatives & Solutions business in the Investment Bank. In addition, long-term debt issued measured at amortized cost increased by USD 3 billion, driven by net new issuances, partly offset by foreign exchange and hedge accounting effects. During 2021, net new issuances of TLAC-eligible benchmark instruments and senior unsecured debt USD 12 billion were partly offset by USD 4 billion of net redemptions of covered bonds and subordinated debt instruments.

During 2022, USD 1.4 billion equivalent of TLAC-eligible benchmark instruments and USD 2.0 billion of loss-absorbing tier 2 capital instruments will mature. In February 2022, loss-absorbing additional tier 1 capital instruments equivalent to USD 1.1 billion were called and USD 2.8 billion equivalent of TLAC-eligible benchmark instruments matured. UBS is already compliant with its 2022 going and gone concern capital requirements and expects to act rationally and strategically with respect to the refinancing of any callable capital instruments and any potential incremental issuances.

› **Refer to the document titled "UBS Group AG consolidated capital instruments and TLAC-eligible senior unsecured debt," available under "Bondholder information" at *ubs.com/investors*, for more information**

Brokerage payables increased by USD 5 billion, mainly in the Financing business of our Investment Bank, due to an increase in client credit and short positions, partly offset by higher netting effects from increased lending.

Non-financial liabilities and financial liabilities related to unit-linked investment contracts increased by USD 2 billion, mainly reflecting a reclassification of assets in Global Wealth Management as disposal groups held for sale in connection with the upcoming sales of our domestic wealth management business in Spain and UBS Swiss Financial Advisers AG. The increase also included market-driven increases from unit-linked investment contracts in Asset Management.

› **Refer to the "Consolidated financial statements" section of this report for more information**

## Equity

Equity attributable to shareholders increased by USD 1,217 million to USD 60,662 million as of 31 December 2021.

This increase was mainly driven by total comprehensive income attributable to shareholders of positive USD 5,106 million, reflecting net profit of USD 7,457 million and negative other comprehensive income (OCI) of USD 2,351 million. OCI mainly included negative cash flow hedge OCI of USD 1,675 million, negative OCI related to foreign currency translation of USD 535 million and negative OCI related to debt instruments measured at fair value through OCI of USD 157 million. In addition, amortization of deferred share-based compensation awards increased share premium by USD 643 million and the launch of our new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. resulted in an equity increase of USD 155 million.

These increases were partly offset by net treasury share activity that decreased equity by USD 3,326 million. This was mainly due to share repurchases with an acquisition cost of USD 2,500 million under our 2021 share repurchase program, repurchases of USD 112 million under our 2018–2021 program and purchases of USD 545 million from the market to hedge our share delivery obligations related to employee share-based compensation awards. In addition, distributions to shareholders reduced equity by USD 1,301 million, reflecting a dividend payment of USD 0.37 per share.

In the second quarter of 2021, we canceled 156,632,400 shares purchased under our 2018–2021 share repurchase program, as approved by shareholders at the 2021 Annual General Meeting. The cancellation of shares resulted in reclassifications within equity but had no net effect on our total equity attributable to shareholders.

› **Refer to the "Group performance" and "Consolidated financial statements" sections of this report for more information about OCI**

› **Refer to "UBS shares" in this section for more information about our share repurchase programs**

› **Refer to "Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses" in the "Consolidated financial statements" section of this report for more information about our partnership with Sumitomo Mitsui Trust Holdings, Inc.**

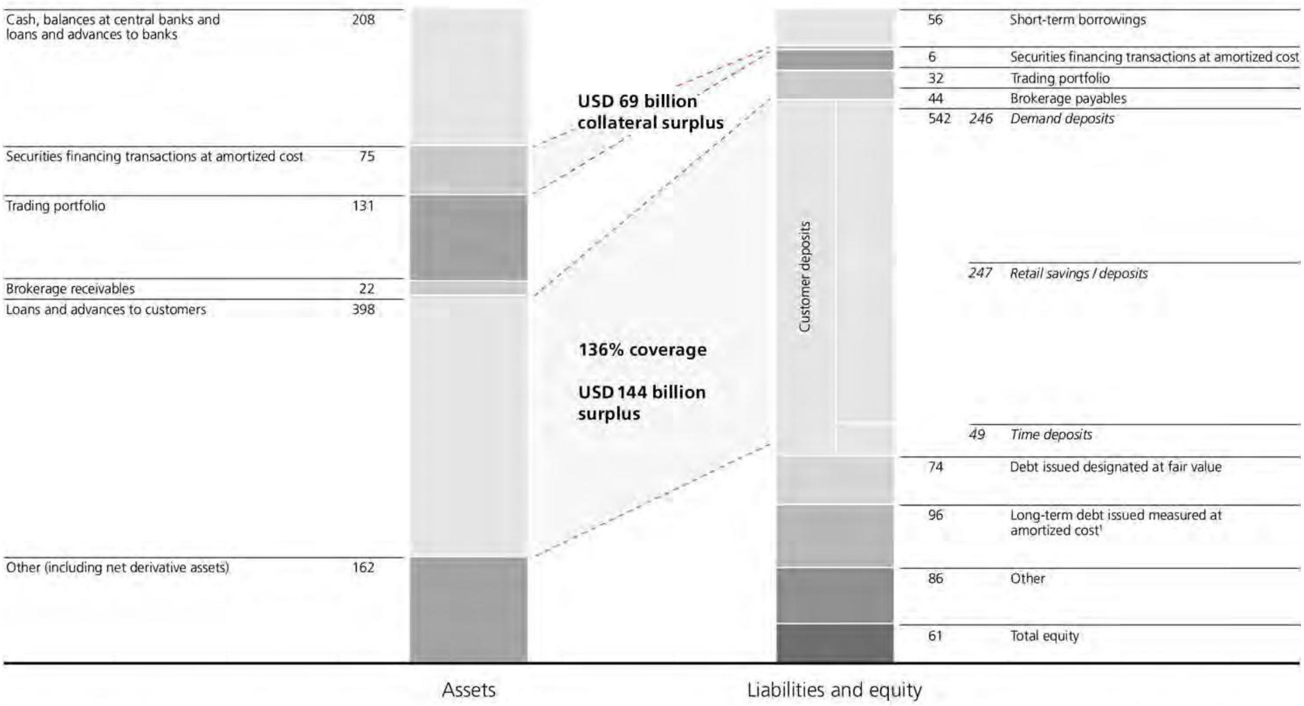
## Liabilities and equity

| | As of | | % change from |
|---|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.20 |
| Short-term borrowings[1] | 56.2 | 57.7 | (3) |
| Securities financing transactions at amortized cost | 5.5 | 6.3 | (12) |
| Customer deposits | 542.0 | 524.6 | 3 |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost[2] | 169.9 | 153.8 | 10 |
| Trading portfolio[3] | 31.7 | 33.6 | (6) |
| Derivatives and cash collateral payables on derivative instruments | 153.1 | 198.4 | (23) |
| Brokerage payables | 44.0 | 38.7 | 14 |
| Other financial liabilities measured at amortized cost and fair value[4] | 17.6 | 19.1 | (8) |
| Non-financial liabilities and financial liabilities related to unit-linked investment contracts | 36.1 | 33.7 | 7 |
| Total liabilities | 1,056.2 | 1,066.0 | (1) |
| Share capital | 0.3 | 0.3 | (5) |
| Share premium | 15.9 | 16.8 | (5) |
| Treasury shares | (4.7) | (4.1) | 15 |
| Retained earnings | 43.9 | 38.8 | 13 |
| Other comprehensive income[5] | 5.2 | 7.6 | (32) |
| Total equity attributable to shareholders | 60.7 | 59.4 | 2 |
| Equity attributable to non-controlling interests | 0.3 | 0.3 | 6 |
| Total equity | 61.0 | 59.8 | 2 |
| Total liabilities and equity | 1,117.2 | 1,125.8 | (1) |

1 Consists of short-term debt issued measured at amortized cost and amounts due to banks. 2 The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. 3 Consists of financial liabilities at fair value held for trading. 4 Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts. 5 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings.

## Asset funding

*USD billion, except where indicated*
*As of 31 December 2021*




1 The classification of debt issued measured at amortized cost into short- and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features.

## Liabilities by product and currency

| | USD billion | | As a percentage of total liabilities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All currencies | | All currencies | | USD | | CHF | | EUR | | Other | |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Short-term borrowings | 56.2 | 57.7 | 5.3 | 5.4 | 3.1 | 3.0 | 0.4 | 0.6 | 0.6 | 1.0 | 1.3 | 0.9 |
| *of which: amounts due to banks* | *13.1* | *11.0* | *1.2* | *1.0* | *0.3* | *0.3* | *0.4* | *0.5* | *0.1* | *0.1* | *0.4* | *0.1* |
| *of which: short-term debt issued*[1] | *43.1* | *46.7* | *4.1* | *4.4* | *2.7* | *2.7* | *0.0* | *0.0* | *0.5* | *0.9* | *0.8* | *0.8* |
| Securities financing transactions at amortized cost | 5.5 | 6.3 | 0.5 | 0.6 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Customer deposits | 542.0 | 524.6 | 51.3 | 49.2 | 23.9 | 19.7 | 18.0 | 20.1 | 5.2 | 5.2 | 4.3 | 4.2 |
| *of which: demand deposits* | *246.4* | *236.4* | *23.3* | *22.2* | *8.7* | *7.4* | *6.7* | *7.2* | *4.4* | *4.3* | *3.5* | *3.4* |
| *of which: retail savings / deposits* | *247.2* | *220.9* | *23.4* | *20.7* | *11.9* | *8.3* | *11.0* | *11.8* | *0.5* | *0.5* | *0.0* | *0.0* |
| *of which: time deposits* | *48.4* | *67.3* | *4.6* | *6.3* | *3.2* | *4.0* | *0.3* | *1.1* | *0.3* | *0.4* | *0.8* | *0.8* |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost[2] | 169.9 | 153.8 | 16.1 | 14.4 | 9.5 | 7.6 | 1.7 | 1.6 | 3.3 | 3.7 | 1.5 | 1.5 |
| Trading portfolio[3] | 31.7 | 33.6 | 3.0 | 3.2 | 1.3 | 1.3 | 0.1 | 0.1 | 0.6 | 0.5 | 1.0 | 1.2 |
| Derivatives and cash collateral payables on derivative instruments | 153.1 | 198.4 | 14.5 | 18.6 | 12.0 | 15.2 | 0.2 | 0.2 | 1.4 | 2.0 | 0.9 | 1.1 |
| Brokerage payables | 44.0 | 38.7 | 4.2 | 3.6 | 3.1 | 2.7 | 0.0 | 0.0 | 0.3 | 0.2 | 0.8 | 0.7 |
| Other financial liabilities measured at amortized cost and fair value[4] | 17.6 | 19.1 | 1.7 | 1.8 | 0.9 | 1.1 | 0.1 | 0.2 | 0.4 | 0.2 | 0.3 | 0.3 |
| Non-financial liabilities and financial liabilities related to unit-linked investment contracts | 36.1 | 33.7 | 3.4 | 3.2 | 0.6 | 0.6 | 0.2 | 0.2 | 0.3 | 0.2 | 2.3 | 2.2 |
| Total liabilities | 1,056.2 | 1,066.0 | 100.0 | 100.0 | 54.7 | 51.6 | 20.8 | 23.0 | 12.1 | 13.1 | 12.4 | 12.3 |

1 Short-term debt issued consists of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. 2 The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. 3 Consists of financial liabilities at fair value held for trading. 4 Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts.

## Maturity analysis of assets and liabilities

The table below provides an analysis of carrying amounts of balance sheet assets and liabilities, as well as off-balance sheet exposures by residual contractual maturity as of the reporting date. The residual contractual maturity of assets includes the effect of callable features. The residual contractual maturity of liabilities and off-balance sheet exposures is based on the earliest date on which we could be required to pay. The presentation of liabilities at the carrying amount in this table differs from "Note 24 Maturity analysis of financial liabilities" in the "Consolidated financial statements" section of this report, where such liabilities are presented on an undiscounted basis, as required by International Financial Reporting Standards (IFRS).

Derivative financial instruments and financial assets and liabilities at fair value held for trading are assigned to the *Due within 1 month* column, although one should note that the respective contractual maturities may extend over significantly longer periods.

Assets held to hedge unit-linked investment contracts (presented within *Financial assets at fair value not held for trading*) are assigned to the *Due within 1 month* column, consistent with the maturity assigned to the related amounts due under unit-linked investment contracts (presented within *Other financial liabilities designated at fair value*).

Other financial assets and liabilities with no contractual maturity, such as equity securities, are included in the *Perpetual / Not applicable* time bucket. Undated or perpetual instruments are classified based on the contractual notice period that the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the *Perpetual / Not applicable* time bucket.

Non-financial assets and liabilities with no contractual maturity are generally included in the *Perpetual / Not applicable* time bucket.

Loan commitments are classified on the basis of the earliest date they can be drawn down.

**Maturity analysis of assets and liabilities**

| *USD billion* | Due within 1 month | Due between 1 and 3 months | Due between 3 and 6 months | Due between 6 and 9 months | Due between 9 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | Perpetual / Not applicable | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Total financial assets measured at amortized cost | 453.7 | 45.9 | 19.1 | 12.4 | 11.7 | 53.7 | 64.1 | 77.3 | | 737.8 |
| *Loans and advances to customers* | *157.2* | *28.7* | *16.3* | *10.4* | *10.5* | *49.6* | *54.9* | *70.1* | | *397.8* |
| Total financial assets measured at fair value through profit or loss | 300.5 | 5.8 | 3.6 | 2.6 | 1.9 | 5.2 | 7.1 | 2.5 | 1.8 | 330.9 |
| *Financial assets at fair value not held for trading* | *29.7* | *5.8* | *3.6* | *2.6* | *1.9* | *5.2* | *7.1* | *2.5* | *1.8* | *60.1* |
| Financial assets measured at fair value through other comprehensive income | 0.1 | 0.4 | 0.5 | 0.2 | 0.1 | 0.1 | 0.4 | 7.1 | | 8.8 |
| Total non-financial assets | 7.7 | 0.5 | 0.1 | 0.0 | 0.0 | 0.2 | 1.4 | 0.3 | 29.4 | 39.7 |
| Total assets as of 31 December 2021 | 761.9 | 52.6 | 23.3 | 15.1 | 13.6 | 59.2 | 73.0 | 87.2 | 31.2 | 1,117.2 |
| Total assets as of 31 December 2020 | 748.1 | 64.2 | 32.7 | 18.6 | 17.8 | 53.0 | 79.9 | 79.6 | 31.8 | 1,125.8 |
| **Liabilities** | | | | | | | | | | |
| Total financial liabilities measured at amortized cost | 581.6 | 20.1 | 21.3 | 15.0 | 12.1 | 17.0 | 35.6 | 24.4 | 13.5 | 740.6 |
| *Customer deposits* | *530.1* | *5.2* | *2.0* | *0.6* | *0.7* | *1.6* | *1.5* | *0.3* | | *542.0* |
| *Debt issued measured at amortized cost* | *3.7* | *12.1* | *16.5* | *13.7* | *9.6* | *14.9* | *32.5* | *22.7* | *13.5* | *139.2* |
| Total financial liabilities measured at fair value through profit or loss | 237.7 | 12.0 | 5.2 | 6.1 | 3.3 | 18.8 | 5.6 | 12.2 | | 300.9 |
| *Debt issued designated at fair value* | *12.5* | *11.6* | *5.1* | *5.8* | *3.2* | *18.6* | *5.4* | *11.5* | | *73.8* |
| Total non-financial liabilities | 9.3 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.4 | 14.7 |
| Total liabilities as of 31 December 2021 | 828.6 | 35.1 | 26.5 | 21.1 | 15.5 | 35.8 | 41.2 | 36.6 | 15.9 | 1,056.2 |
| Total liabilities as of 31 December 2020 | 865.1 | 37.3 | 24.1 | 17.1 | 14.4 | 27.2 | 33.2 | 30.5 | 17.1 | 1,066.0 |
| **Guarantees, loan commitments and forward starting transactions**[1] | | | | | | | | | | |
| Guarantees, loan commitments and forward starting transactions as of 31 December 2021 | 60.9 | 0.5 | 0.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 62.1 |
| Guarantees, loan commitments and forward starting transactions as of 31 December 2020 | 61.3 | 0.5 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 62.2 |

1 The notional amounts associated with derivative loan commitments, as well as forward starting repurchase and reverse repurchase agreements, measured at fair value through profit or loss are presented together with notional amounts related to derivative instruments and have been excluded from the table above. Refer to "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report for information about the notional amounts of these instruments.

## Off-balance sheet

In the normal course of business, we enter into transactions where, pursuant to IFRS, the maximum contractual exposure may not be recognized in whole or in part on our balance sheet. These transactions include derivative instruments, guarantees, loan commitments and similar arrangements.

When we incur an obligation or become entitled to an asset through these arrangements, we recognize them on the balance sheet. It should be noted that in certain instances the amount recognized on the balance sheet does not represent the full gain or loss potential inherent in such arrangements.

› **Refer to "Note 1a Material accounting policies" items 1, 2a and 2c, and "Note 29 Interests in subsidiaries and other entities" in the "Consolidated financial statements" section of this report for more information**

The following paragraphs provide more information about certain off-balance sheet arrangements. Additional off-balance sheet information is primarily provided in Notes 9, 10, 18, 20, 21i, 23 and 29 in the "Consolidated financial statements" section of this report, and in the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors.*

### Guarantees, loan commitments and similar arrangements

In the normal course of business, we issue various forms of guarantees, commitments to extend credit, standby and other letters of credit to support our clients, forward starting transactions, note issuance facilities and revolving underwriting facilities. With the exception of related premiums, generally these guarantees and similar obligations are kept as off-balance sheet items, unless a provision to cover probable losses or expected credit losses is required.

Guarantees represent irrevocable assurances that, subject to the satisfying of certain conditions, we will make payments if our clients fail to fulfill their obligations to third parties. As of 31 December 2021, the net exposure (i.e., gross values less sub-participations) from guarantees and similar instruments was USD 19 billion, compared with USD 15 billion as of 31 December 2020. The increase of USD 4 billion reflected higher guarantees in Group Treasury and an increase in guarantees issued to corporate clients in Personal & Corporate Banking. Fee income from issuing guarantees was not significant to total revenues in 2021 or 2020.

We also enter into commitments to extend credit in the form of credit lines available to secure the liquidity needs of clients. The majority of loan commitments range in maturity from one month to one year. Committed unconditionally revocable credit lines are generally open-ended.

During 2021, loan commitments decreased by USD 2 billion, mainly in Personal & Corporate Banking, predominantly in Personal Banking Switzerland.

Committed unconditionally revocable credit lines remained broadly stable. Forward starting reverse repurchase agreements decreased by USD 2 billion and forward starting repurchase agreements increased by USD 1 billion, both predominantly in Group Treasury.

### Off-balance sheet

| | As of | | % change from |
|---|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.20 |
| Guarantees[1] | 18.9 | 15.0 | 26 |
| Loan commitments[1,2] | 39.5 | 41.4 | (5) |
| Committed unconditionally revocable credit lines | 40.8 | 40.1 | 2 |
| Forward starting reverse repurchase agreements[2] | 1.4 | 3.2 | (56) |
| Forward starting repurchase agreements[2] | 1.0 | 0.4 | 178 |

1 Guarantees and Loan commitments are shown net of sub-participations. 2 The exposures related to loan commitments, forward starting repurchase and reverse repurchase agreements measured at fair value through profit or loss are not included in this table but are reflected as notional amounts in "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report.

If customers fail to meet their obligations, our maximum exposure to credit risk is the contractual amount of these instruments. The risk is similar to the risk involved in extending loan facilities and is subject to the same risk management and control framework. In 2021, we recognized net credit loss releases of USD 46 million related to loan commitments, guarantees and other credit facilities in the scope of expected credit loss measurement, compared with net credit loss expenses of USD 138 million in 2020. Provisions recognized for guarantees, loan commitments and other credit facilities in the scope of expected credit loss measurement were USD 196 million as of 31 December 2021, compared with USD 257 million as of 31 December 2020.

› **Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about provisions for expected credit losses**

For certain obligations we enter into partial sub-participations to mitigate various risks from guarantees and loan commitments. A sub-participation is an agreement by another party to take a share of the loss in the event that the obligation is not fulfilled by the obligor and, where applicable, to fund a part of the credit facility. We retain the contractual relationship with the obligor, and the sub-participant has only an indirect relationship. We only enter into sub-participation agreements with banks to which we ascribe a credit rating equal to or better than that of the obligor.

We also provide representations, warranties and indemnifications to third parties in the normal course of business.

### Support provided to non-consolidated investment funds

In 2021, the Group did not provide material support, financial or otherwise, to unconsolidated investment funds when the Group was not contractually obligated to do so, nor does it have an intention to do so.

### Clearing house and exchange memberships

We are a member of numerous securities and derivative exchanges and clearing houses. In connection with some of these memberships, we may be required to pay a share of the financial obligations of another member who defaults, or we may be otherwise exposed to additional financial obligations. While the membership rules vary, obligations generally would arise only if the exchange or clearing house had exhausted its resources. We consider the probability of a material loss due to such obligations to be remote.

### Deposit insurance

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. As of 31 December 2021, FINMA estimates our share in the deposit insurance system to be CHF 0.9 billion. This represents a contingent payment obligation and exposes us to additional risk. As of 31 December 2021, we considered the probability of a material loss from our obligations to be remote.

UBS is also subject to, or is a member of, other deposit protection schemes in other countries. However, no contingent payment obligation existed as of 31 December 2021 from any other material scheme.

### Material cash requirements

The Group's material cash requirements as of 31 December 2021 are represented by the residual contractual maturities for non-derivative and non-trading financial liabilities included in the table presented in "Note 24 Maturity analysis of financial liabilities" in the "Consolidated financial statements" section of this report. Included in the table are debt issued designated at fair value (USD 82 billion) and long-term debt issued measured at amortized cost (USD 106 billion). The amounts represent estimated future interest and principal payments on an undiscounted basis.

In the normal course of business, we also issue or enter into various forms of guarantees, loan commitments and other similar arrangements that may result in an outflow of cash in the future. The maturity profile of these obligations, which are presented off-balance sheet, are included in "Note 24 Maturity analysis of financial liabilities" in the "Consolidated financial statements" section of this report.

› **Refer to "Guarantees, loan commitments and similar arrangements" in this section for more information**

## Cash flows

As a global financial institution, our cash flows are complex and often may bear little relation to our net earnings and net assets. Consequently, we believe that a traditional cash flow analysis is less meaningful when evaluating our liquidity position than the liquidity, funding and capital management frameworks and measures described elsewhere in this section.

### Cash and cash equivalents

As of 31 December 2021, cash and cash equivalents totaled USD 207.9 billion, an increase of USD 34.3 billion compared with 31 December 2020, driven by net cash inflows from operating and financing activities. These effects were partly offset by net cash outflows from investing activities, as well as the effects of exchange rate differences on cash and cash equivalents, mainly reflecting the appreciation of the US dollar against the Swiss franc, Japanese yen and euro in 2021.

### Operating activities

Net cash inflows from operating activities were USD 31.4 billion in 2021, compared with USD 37.0 billion in 2020. The net operating cash flow, before changes in operating assets and liabilities and income taxes paid, was an inflow of USD 13.5 billion. Changes in operating assets and liabilities resulted in net cash inflows of USD 18.0 billion, mainly driven by net inflows of USD 29.8 billion related to customer deposits and USD 19.6 billion from financial assets and liabilities at fair value not held for trading and other financial assets and liabilities, as well as USD 8.1 billion from brokerage receivables and payables. These inflows were partly offset by a net outflow from lending balances to customers of USD 27.5 billion and a net outflow from financial assets and liabilities at fair value held for trading and derivative financial instruments of USD 10.5 billion.

### Investing activities

Investing activities resulted in a net cash outflow of USD 2.1 billion in 2021, compared with USD 6.8 billion in 2020, primarily related to a cash outflow of USD 1.8 billion from purchase of property, equipment and software.

### Financing activities

Financing activities resulted in a net cash inflow of USD 10.3 billion in 2021, compared with USD 12.4 billion in 2020, mainly due to net issuance proceeds of USD 18.4 billion from debt designated at fair value and long-term debt measured at amortized cost. This inflow was partly offset by the net repayment of USD 3.1 billion of short-term debt, net cash used to acquire treasury shares of USD 3.3 billion and a dividend distribution to shareholders of USD 1.3 billion.

› **Refer to "Primary financial statements and share information" in the "Consolidated financial statements" section of this report for more information about cash flows**

**Statement of cash flows (condensed)**

| | For the year ended | |
|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 |
| Net cash flow from / (used in) operating activities | 31 | 37 |
| Net cash flow from / (used in) investing activities | (2) | (7) |
| Net cash flow from / (used in) financing activities | 10 | 12 |
| Effects of exchange rate differences on cash and cash equivalents | (5) | 11 |
| Net increase / (decrease) in cash and cash equivalents | 34 | 54 |
| Cash and cash equivalents at the end of the year | 208 | 174 |

# Currency management

## Strategy, objectives and governance

Group Treasury focuses on three main areas of currency risk management: (i) currency-matched funding and investment of non-US dollar assets and liabilities; (ii) sell-down of foreign currency IFRS profits and losses; and (iii) selective hedging of anticipated non-US dollar profits and losses to further mitigate the effect of structural imbalances in the balance sheet. Group Treasury also manages structural currency composition at the consolidated Group level.

### Currency-matched funding and investment of non-US dollar assets and liabilities

For monetary balance sheet items and other investments, as far as is practical and efficient, we follow the principle of matching the currencies of our assets and liabilities for funding purposes. This avoids profits and losses arising from the translation of non-US dollar assets and liabilities.

Net investment hedge accounting is applied to non-US dollar core investments to balance the effect of foreign exchange movements on both CET1 capital and the CET1 capital ratio.

› **Refer to "Note 1a Material accounting policies" and "Note 26 Hedge accounting" in the "Consolidated financial statements" section of this report for more information**

› **Refer to "Capital management" in this section for more information about our active management of sensitivity to currency movements and the effect thereof on our key ratios**

### Sell-down of non-US dollar reported profits and losses

Income statement items of foreign subsidiaries and branches of UBS AG with a functional currency other than the US dollar are translated into US dollars at average exchange rates. To reduce earnings volatility on the translation of previously recognized earnings in foreign currencies, Group Treasury centralizes the profits and losses (under IFRS) arising in UBS AG and its branches and sells or buys the profit or loss for US dollars on a monthly basis. Our foreign subsidiaries follow a similar monthly sell-down process into their own functional currencies. Retained earnings in foreign subsidiaries with a functional currency other than the US dollar are integrated and managed as part of our net investment hedge accounting program.

### Hedging of anticipated non-US dollar profits and losses

The Group ALCO may at any time instruct Group Treasury to execute hedges to protect anticipated future profits and losses in foreign currencies against possible adverse trends of foreign exchange rates. Although intended to hedge future earnings, these transactions are accounted for as open currency positions and subject to internal market risk limits for value-at-risk and stress loss limits.

### Dividend distribution

UBS Group AG declares dividends in US dollars. Shareholders holding shares through SIX (ISIN: CH0244767585) will receive dividends in Swiss francs, based on a published exchange rate calculated up to five decimal places, on the day prior to the ex-dividend date. Shareholders holding shares through DTC (ISIN: CH0244767585; CUSIP: H42097107) will be paid dividends in US dollars.

› **Refer to the "Standalone financial statements" section of this report for more information about the proposed dividend distribution of UBS Group AG**

# UBS shares

## UBS Group AG shares

Audited | As of 31 December 2021, IFRS equity attributable to shareholders amounted to USD 60,662 million, represented by 3,702,422,995 shares issued. Shares issued decreased by 157 million in 2021, as the 156,632,400 shares acquired under the 2018–2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2021 Annual General Meeting (AGM).

Each share has a nominal value of CHF 0.10, carries one vote if entered into the share register as having the right to vote, and also entitles the holder to a proportionate share of distributed dividends. All shares are fully paid up. As the Articles of Association of UBS Group AG indicate, there are no other classes of shares and no preferential rights for shareholders. ▲

› **Refer to the "Corporate governance" section of this report for more information about UBS shares**

**UBS Group share information**

| | As of or for the year ended | | % change from |
|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.20 |
| Shares issued | 3,702,422,995 | 3,859,055,395 | (4) |
| Treasury shares[1] | 302,815,328 | 307,477,002 | (2) |
| *of which: related to share repurchase program 2018–2021* | | *148,975,800* | *(100)* |
| *of which: related to share repurchase program 2021[2]* | *152,596,273* | | |
| Shares outstanding | 3,399,607,667 | 3,551,578,393 | (4) |
| Basic earnings per share (USD)[3] | 2.14 | 1.83 | 17 |
| Basic earnings per share (CHF)[4] | 1.96 | 1.71 | 15 |
| Diluted earnings per share (USD)[3] | 2.06 | 1.77 | 16 |
| Diluted earnings per share (CHF)[4] | 1.88 | 1.65 | 14 |
| Equity attributable to shareholders (USD million) | 60,662 | 59,445 | 2 |
| Less: goodwill and intangible assets (USD million) | 6,378 | 6,480 | (2) |
| Tangible equity attributable to shareholders (USD million) | 54,283 | 52,965 | 2 |
| Ordinary cash dividends per share (USD)[5,6] | 0.50 | 0.37 | 35 |
| Total book value per share (USD) | 17.84 | 16.74 | 7 |
| Tangible book value per share (USD) | 15.97 | 14.91 | 7 |
| Share price (USD)[7] | 18.01 | 14.08 | 28 |
| Market capitalization (USD million) | 61,230 | 50,013 | 22 |

1 Based on a settlement date view. 2 Our active share repurchase program of up to CHF 4 billion was started in February 2021. The program was initially planned to run over a three-year period, but we currently expect to complete it in the first half of 2022. We therefore refer to this program as "share repurchase program 2021" throughout this report. 3 Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. 4 Basic and diluted earnings per share in Swiss francs are calculated based on a translation of net profit / (loss) under our US dollar presentation currency. 5 Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. 6 Refer to "Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve" in the "Standalone financial statements" section of this report for more information. 7 Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date.

## Holding of UBS Group AG shares

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under the share repurchase program. As of 31 December 2021, we held a total of 302,815,328 treasury shares (31 December 2020: 307,477,002), or 8.2% (31 December 2020: 8.0%) of shares issued.

Our 2018–2021 share repurchase program was completed on 2 February 2021 with the purchase of an additional 7.7 million shares in 2021 for a total acquisition cost of CHF 100 million (USD 112 million). The 156.6 million shares repurchased under this program were canceled by means of a capital reduction, as approved by shareholders at the 2021 AGM.

On 8 February 2021, we commenced a new 2021 share repurchase program of up to CHF 4 billion. Shares acquired under this program totaled 152.6 million as of 31 December 2021 for a total acquisition cost of CHF 2,294 million (USD 2,500 million) and are intended to be canceled by means of a capital reduction, pending approval by shareholders at the 2022 AGM.

Looking ahead, we intend to commence a new 2022 share repurchase program of up to USD 6 billion over two years and expect to execute up to USD 5 billion of repurchases under both the existing 2021 repurchase program and the new 2022 program by the end of 2022.

Treasury shares held to hedge our share delivery obligations related to employee share-based compensation awards totaled 148.8 million shares as of 31 December 2021 (31 December 2020: 157.1 million). Share delivery obligations related to employee share-based compensation awards totaled 175 million shares as of 31 December 2021 (31 December 2020: 172 million) and are calculated on the basis of undistributed notional share awards, taking into account applicable performance conditions. Treasury shares held are delivered to employees at exercise or vesting. As of 31 December 2021, up to 122 million UBS Group AG shares (31 December 2020: 122 million) could have been issued out of conditional capital to satisfy share delivery obligations of any future employee share option programs or similar awards.

The Investment Bank also holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

The table below outlines the market purchases of UBS Group AG shares by Group Treasury. It does not include the activities of the Investment Bank.

### Treasury share purchases

| | Share repurchase programs[1] | | | | Other treasury shares purchased[2] | |
|---|---|---|---|---|---|---|
| Month of purchase[3] | Number of shares | Average price in CHF | Remaining volume of 2018–2021 share repurchase program in CHF million at month-end | Remaining volume of 2021 share repurchase program in CHF million at month-end | Number of shares | Average price in USD |
| January 2021 | 5,250,000 | 13.06 | 31 | | | |
| February 2021 | 22,861,600 | 13.89 | 0 | 3,714 | | |
| March 2021 | 39,377,000 | 14.64 | | 3,137 | | |
| April 2021 | 7,400,415 | 14.56 | | 3,030 | | |
| May 2021 | 15,858,110 | 13.97 | | 2,808 | 5,585,000 | 16.11 |
| June 2021 | | | | 2,808 | 14,415,000 | 16.31 |
| July 2021 | 7,730,000 | 14.71 | | 2,694 | | |
| August 2021 | 17,140,000 | 15.36 | | 2,431 | | |
| September 2021 | 11,241,248 | 15.36 | | 2,259 | | |
| October 2021 | 4,500,000 | 16.58 | | 2,184 | | |
| November 2021 | 28,800,000 | 16.54 | | 1,708 | | |
| December 2021 | 94,500 | 16.23 | | 1,706[4] | 12,770,000 | 17.73 |

1 In March 2018, UBS initiated a share repurchase program of up to CHF 2 billion over a three-year period and this program was completed on 2 February 2021. UBS has an active share repurchase program to buy back up to CHF 4 billion of its own shares over the three-year period started in February 2021. The share repurchase information in this table is disclosed in Swiss francs as the share buybacks were transacted in Swiss francs on a separate trading line on the SIX Swiss Exchange. 2 This table excludes purchases for the purpose of hedging derivatives linked to UBS Group AG shares and for market-making in UBS Group AG shares. The table also excludes UBS Group AG shares purchased by post-employment benefit funds for UBS employees, which are managed by a board of UBS management and employee representatives in accordance with Swiss law. UBS's post-employment benefit funds purchased 906,951 UBS Group AG shares during the year and held 14,073,132 UBS Group AG shares as of 31 December 2021. 3 Based on the transaction date of the respective treasury share purchases. 4 The remaining volume of the 2021 share repurchase program as of 31 December 2021 was USD 1,871 million. This was calculated based on the remaining volume of CHF 1,706 million as of 31 December 2021 and the respective closing exchange rate as of this date.

### Trading volumes

| | For the year ended | | |
|---|---|---|---|
| *1,000 shares* | 31.12.21 | 31.12.20 | 31.12.19 |
| SIX Swiss Exchange total | 2,514,259 | 5,095,908 | 4,161,555 |
| SIX Swiss Exchange daily average | 9,899 | 20,222 | 16,713 |
| New York Stock Exchange total | 137,366 | 260,681 | 203,967 |
| New York Stock Exchange daily average | 545 | 1,030 | 809 |

Source: Reuters

## Listing of UBS Group AG shares

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (the NYSE) as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

During 2021, the average daily trading volume of UBS Group AG shares was 9.9 million shares on SIX and 0.5 million shares on the NYSE. SIX is expected to remain the main venue for determining the movement in our share price, because of the high volume traded on this exchange.

During the hours in which both SIX and the NYSE are simultaneously open for trading (generally 3:30 p.m. to 5:30 p.m. Central European Time), price differences between these exchanges are likely to be arbitraged away by professional market-makers. Accordingly, the share price will typically be similar between the two exchanges when considering the prevailing US dollar / Swiss franc exchange rate. When SIX is closed for trading, globally traded volumes will typically be lower. However, the specialist firm making a market in UBS Group AG shares on the NYSE is required to facilitate sufficient liquidity and maintain an orderly market in UBS Group AG shares throughout normal NYSE trading hours.

### Ticker symbols UBS Group AG

| Trading exchange | SIX / NYSE | Bloomberg | Reuters |
|---|---|---|---|
| SIX Swiss Exchange | UBSG | UBSG SW | UBSG.S |
| New York Stock Exchange | UBS | UBS UN | UBS.N |

### Security identification codes

| | |
|---|---|
| ISIN | CH0244767585 |
| Valoren | 24 476 758 |
| CUSIP | CINS H42097 10 7 |

# Corporate governance and compensation

Management report

4

## Audited information according to the Swiss law and applicable regulatory requirements and guidance

Disclosures provided are in line with the requirements of Art. 663c para. 1 and 3 of the Swiss Code of Obligations (supplementary disclosures for companies whose shares are listed on a stock exchange: shareholdings) and the Ordinance against Excessive Compensation in Listed Stock Corporations (tables containing such information are marked as "Audited" throughout this section), as well as other applicable regulations and guidance.

# Corporate governance

# Corporate governance

UBS Group AG is subject to, and complies with, all relevant Swiss legal and regulatory requirements regarding corporate governance, including the SIX Swiss Exchange's Directive on Information relating to Corporate Governance (the SIX Swiss Exchange Corporate Governance Directive) and the standards established in the Swiss Code of Best Practice for Corporate Governance, including the appendix on executive compensation.

As a foreign company with shares listed on the New York Stock Exchange (the NYSE), UBS Group AG also complies with all relevant corporate governance standards applicable to foreign private issuers.

The Organization Regulations of UBS Group AG, adopted by the Board of Directors (the BoD) based on Art. 716b of the Swiss Code of Obligations and articles 25 and 27 of the Articles of Association of UBS Group AG, constitute our primary corporate governance guidelines.

To the extent practicable, the governance structures of UBS Group AG and UBS AG are aligned. UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the NYSE, UBS AG also complies with the relevant NYSE corporate governance standards. The discussion in this section refers to both UBS Group AG and UBS AG, unless specifically noted otherwise or unless the information discussed is relevant only to listed companies and therefore only applicable to UBS Group AG. This approach is in line with US Securities and Exchange Commission (SEC) regulations and NYSE standards.

› **Refer to the Articles of Association of UBS Group AG and of UBS AG, and to the Organization Regulations of UBS Group AG, available at *ubs.com/governance* and *ubs.com/ubs-ag-governance,* for more information**

› **The SIX Swiss Exchange Corporate Governance Directive is available at *ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf,* the Swiss Code of Best Practice for Corporate Governance at *economiesuisse.ch/en/publications/swiss-code-best-practice-corporate-governance* and the NYSE rules at *nyse.wolterskluwer.cloud/listed-company-manual***

## Differences from corporate governance standards relevant to US-listed companies

The NYSE standards on corporate governance require foreign private issuers to disclose any significant ways in which their corporate governance practices differ from those that have to be followed by domestic companies. Such differences are discussed below.

### Responsibility of the Audit Committee regarding independent auditors

Our Audit Committee is responsible for the compensation, retention and oversight of independent auditors. It assesses the performance and qualifications of external auditors and submits proposals for appointment, reappointment or removal of independent auditors to the BoD. As required by the Swiss Code of Obligations, the BoD submits its proposals for a shareholder vote at the Annual General Meeting (the AGM). Under NYSE standards audit committees are responsible for appointing independent auditors.

### Discussion of risk assessment and risk management policies by the Risk Committee

As per the Organization Regulations of UBS Group AG and UBS AG, the Risk Committee, instead of the Audit Committee, as per NYSE standards, oversees our risk principles and risk capacity on behalf of the BoD. The Risk Committee is responsible for monitoring our adherence to those risk principles and monitoring whether business divisions and control units maintain appropriate systems of risk management and control.

### Supervision of the internal audit function

Although under NYSE standards only audit committees supervise internal audit functions, the Chairman of the BoD (the Chairman) and the Audit Committee share the supervisory responsibility and authority with respect to the internal audit function.

### Responsibility of the Compensation Committee for performance evaluations of senior management of UBS Group AG

In line with Swiss law, our Compensation Committee, together with the BoD, proposes for shareholder approval at the AGM the maximum aggregate amount of compensation for the BoD, the maximum aggregate amount of fixed compensation for the Group Executive Board (the GEB) and the aggregate amount of variable compensation for the GEB. The members of the Compensation Committee are elected by the AGM. Under NYSE standards it is the responsibility of compensation committees to evaluate senior management's performance and to determine and approve, as a committee or together with the other independent directors, the compensation thereof.

### Proxy statement reports of the Audit Committee and the Compensation Committee

NYSE standards require the aforementioned committees to submit their reports directly to shareholders. However, under Swiss law all reports to shareholders, including those from the aforementioned committees, are provided to and approved by the BoD, which has ultimate responsibility to the shareholders.

### Shareholder votes on equity compensation plans

NYSE standards require shareholder approval for the establishing of and material revisions to all equity compensation plans. However, as per Swiss law, the BoD approves compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for such plans are purchased in the market.

› **Refer to "Board of Directors" in this section for more information about the BoD's committees**

› **Refer to "Share capital structure" in this section for more information about UBS Group AG's capital**

# Group structure and shareholders

## Operational Group structure

As of 31 December 2021, the operational structure of the Group is composed of the Global Wealth Management, Personal & Corporate Banking, Asset Management and Investment Bank business divisions, as well as Group Functions.

› **Refer to the "Our businesses" section on page 21 of this report for more information about our business divisions and Group Functions**

› **Refer to "Financial and operating performance" on page 75 and to "Note 2 Segment reporting" in the "Consolidated financial statements" section on page 306 of this report for more information**

› **Refer to the "Our evolution" section on page 14 of this report for more information**

## Listed and non-listed companies belonging to the Group

The Group includes a number of consolidated entities, of which only UBS Group AG shares are listed.

UBS Group AG's registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland. UBS Group AG shares are listed on the SIX Swiss Exchange (ISIN: CH0244767585) and on the NYSE (CUSIP: H42097107).

› **Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section on page 183 of this report for information about UBS Group AG's market capitalization and shares held by Group entities**

› **Refer to "Note 29 Interests in subsidiaries and other entities" in the "Consolidated financial statements" section on page 391 of this report for more information about the significant subsidiaries of the Group**

## Significant shareholders

### General rules

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (the FMIA), anyone directly or indirectly, or acting in concert with third parties, holding shares in a company listed in Switzerland or holding derivative rights related to shares in such a company must notify the company and the SIX Swiss Exchange (SIX) if the holding reaches, falls below or exceeds one of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 33⅓, 50 or 66⅔% of voting rights, regardless of whether or not such rights may be exercised. Nominee companies that cannot autonomously decide how voting rights are exercised are not required to notify the company and SIX if they reach, exceed or fall below the above-mentioned thresholds.

Pursuant to the Swiss Code of Obligations, we disclose in "Note 23 Significant shareholders" to the UBS Group AG standalone financial statements the identity of any shareholder with a holding of more than 5% of the total share capital of UBS Group AG.

### Shareholders subject to FMIA disclosure notifications

According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX, as of 31 December 2021, the following entities held more than 3% of the total share capital of UBS Group AG: Massachusetts Financial Services Company, Boston, which disclosed a holding of 3.01% on 22 June 2021; Artisan Partners Limited Partnership, Milwaukee, which disclosed a holding of 3.15% on 18 November 2020; BlackRock Inc., New York, which disclosed a holding of 4.70% on 26 May 2020; and Norges Bank, Oslo, which disclosed a holding of 3.01% on 24 July 2019. As registration in the UBS share register is optional, shareholders crossing the aforementioned thresholds requiring SIX notification under the FMIA do not necessarily appear in the table below.

On 24 January 2022, Dodge & Cox International Stock Fund, San Francisco, disclosed a holding of 3.02% of the total share capital of UBS Group AG. No new disclosures of significant shareholdings have been made since that date.

In accordance with the FMIA, the aforementioned holdings are calculated in relation to the total share capital of UBS Group AG reflected in the Articles of Association at the time of the respective disclosure notification.

Information on disclosures under the FMIA is available at *ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.*

### Shareholders registered in the UBS share register with 3% or more of the share capital of UBS Group AG

As a supplement to the mandatory disclosure requirements according to the SIX Swiss Exchange Corporate Governance Directive, we disclose in the table below the shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) that were registered in the UBS share register with 3% or more of the total share capital of UBS Group AG as of 31 December 2021.

› **Refer to "Shareholders' participation rights" on page 197 of this section for more information about voting rights, restrictions and representation**

## Cross-shareholdings

UBS Group AG has no cross-shareholdings where reciprocal ownership would be in excess of 5% of capital or voting rights with any other company.

Audited |

**Shareholders registered in the UBS share register with 3% or more of the total share capital[1]**

| *% of share capital* | 31.12.21 | 31.12.20 | 31.12.19 |
|---|---|---|---|
| Chase Nominees Ltd., London[2] | 8.89 | 10.39 | 10.94 |
| DTC (Cede & Co.), New York[2,3] | 5.78 | 4.99 | 7.57 |
| Nortrust Nominees Ltd., London[2] | 4.80 | 5.15 | 4.90 |

1 As registration in the UBS share register is optional, shareholders crossing the threshold percentages requiring SIX notification under the FMIA do not necessarily appear in this table. 2 Nominee companies and securities clearing organizations cannot autonomously decide how voting rights are exercised and are therefore not obligated to notify UBS and SIX if they reach, exceed or fall below the threshold percentages requiring disclosure notification under the FMIA. Consequently, they do not appear in the "Shareholders subject to FMIA disclosure notifications" section above. 3 DTC (Cede & Co.), New York, "The Depository Trust Company," is a US securities clearing organization.

# Share capital structure

## Ordinary share capital

At year-end 2021, UBS Group AG had 3,702,422,995 issued shares with a nominal value of CHF 0.10 each, equating to a share capital of CHF 370,242,299.50.

Under Swiss company law, shareholders must approve, in a general meeting of shareholders, any increase or reduction in the ordinary share capital or the creation of conditional or authorized share capital.

In 2021, our shareholders were asked to approve a reduction of share capital by way of canceling 156,632,400 registered shares repurchased under the 2018–2021 share buyback program.

In 2021, our shareholders were not asked to approve the creation of conditional or authorized share capital.

No shares were issued out of existing conditional capital, as there were no employee options and stock appreciation rights outstanding.

### Distribution of UBS shares

| As of 31 December 2021 | Shareholders registered | | Shares registered | |
|---|---|---|---|---|
| *Number of shares registered* | Number | % | Number | % of shares issued |
| 1–100 | 21,973 | 11.4 | 1,210,904 | 0.0 |
| 101–1,000 | 98,460 | 51.1 | 46,829,775 | 1.3 |
| 1,001–10,000 | 65,295 | 33.9 | 192,251,772 | 5.2 |
| 10,001–100,000 | 6,421 | 3.3 | 152,692,476 | 4.1 |
| 100,001–1,000,000 | 523 | 0.3 | 152,003,230 | 4.1 |
| 1,000,001–5,000,000 | 94 | 0.0 | 202,245,394 | 5.5 |
| 5,000,001–37,024,229 (1%) | 26 | 0.0 | 291,114,743 | 7.9 |
| 1–2% | 3 | 0.0 | 142,657,900 | 3.9 |
| 2–3% | 0 | 0.0 | 0 | 0.0 |
| 3–4% | 0 | 0.0 | 0 | 0.0 |
| 4–5% | 1 | 0.0 | 177,762,902 | 4.8 |
| Over 5% | 2[1] | 0.0 | 543,460,208 | 14.7 |
| Total registered | 192,798 | 100.0 | 1,902,229,304[2] | 51.4 |
| Unregistered[3] | | | 1,800,193,691 | 48.6 |
| Total | 192,798 | 100.0 | 3,702,422,995 | 100.0 |

1 On 31 December 2021, Chase Nominees Ltd., London, entered as a nominee, was registered with 8,89% of all UBS shares issued. However, according to the provisions of UBS Group AG, voting rights of nominees are limited to a maximum of 5% of all UBS shares issued. The US securities clearing organization DTC (Cede & Co.), New York, was registered with 5.78% of all UBS shares issued and is not subject to this 5% voting limit as a securities clearing organization. 2 Of the total shares registered, 295,987,073 shares did not carry voting rights. 3 Shares not entered in the UBS share register as of 31 December 2021.

## Conditional share capital

At year-end 2021, the following conditional share capital was available to UBS Group AG's BoD:

– A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
– A maximum of CHF 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.

› **Refer to article 4a of the Articles of Association of UBS Group AG for more information about the terms and conditions of the issue of shares out of existing conditional capital. The Articles of Association are available at *ubs.com/governance***

› **Refer to the "Our evolution" section on page 14 of this report for more information**

**Conditional capital of UBS Group AG**

| As of 31 December 2021 | Maximum number of shares to be issued | Year approved by Extraordinary General Meeting | % of shares issued |
|---|---|---|---|
| Employee equity participation plans | 121,705,830 | 2014 | 3.29 |
| Conversion rights / warrants granted in connection with bonds | 380,000,000 | 2014 | 10.26 |
| Total | 501,705,830 | | 13.55 |

## Authorized share capital

UBS Group AG had no authorized capital available to issue on 31 December 2021.

## Changes in capital

In accordance with International Financial Reporting Standards (IFRS), Group equity attributable to shareholders was USD 60.7 billion as of 31 December 2021 (2020: USD 59.4 billion; 2019: USD 54.5 billion). The equity of UBS Group AG shareholders was represented by 3,702,422,995 issued shares as of 31 December 2021 (31 December 2020: 3,859,055,395 shares; 31 December 2019: 3,859,055,395 shares).

› **Refer to "Statement of changes in equity" in the "Consolidated financial statements" section on page 286 of this report for more information about changes in shareholders' equity over the last three years**

## Ownership

Ownership of UBS Group AG shares is widely spread. The tables in this section provide information about the distribution of UBS Group AG shareholders by category and geographic location. This information relates only to shareholders registered in the UBS share register and cannot be assumed to be representative of UBS Group AG's entire investor base or the actual beneficial ownership. Only shareholders registered in the share register as "shareholders with voting rights" are entitled to exercise voting rights.

› **Refer to "Shareholders' participation rights" in this section for more information**

As of 31 December 2021, 1,606,242,231 UBS Group AG shares were registered in the share register and carried voting rights, 295,987,073 shares were registered in the share register without voting rights, and 1,800,193,691 shares were not registered in the UBS share register. All shares were fully paid up and eligible for dividends. There are no preferential rights for shareholders, and no other classes of shares have been issued by UBS Group AG.

**Shareholders, legal entities and nominees: type and geographical distribution**

| | Shareholders registered | |
|---|---|---|
| As of 31 December 2021 | Number | % |
| Individual shareholders | 188,892 | 98.0 |
| Legal entities | 3,724 | 1.9 |
| Nominees, fiduciaries | 182 | 0.1 |
| Total registered shares | | |
| Unregistered shares | | |
| Total | 192,798 | 100.0 |

| | Individual shareholders | | Legal entities | | Nominees | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Americas | 1,752 | 0.9 | 102 | 0.1 | 81 | 0.0 | 1,935 | 1.0 |
| *of which: USA* | *1,244* | *0.6* | *54* | *0.0* | *78* | *0.0* | *1,376* | *0.7* |
| Asia Pacific | 5,024 | 2.6 | 98 | 0.1 | 24 | 0.0 | 5,146 | 2.7 |
| Europe, Middle East and Africa | 11,988 | 6.2 | 218 | 0.1 | 45 | 0.0 | 12,251 | 6.4 |
| *of which: Germany* | *3,715* | *1.9* | *25* | *0.0* | *3* | *0.0* | *3,743* | *1.9* |
| *of which: UK* | *4,580* | *2.4* | *9* | *0.0* | *7* | *0.0* | *4,596* | *2.4* |
| *of which: rest of Europe* | *3,419* | *1.8* | *180* | *0.1* | *34* | *0.0* | *3,633* | *1.9* |
| *of which: Middle East and Africa* | *274* | *0.1* | *4* | *0.0* | *1* | *0.0* | *279* | *0.1* |
| Switzerland | 170,128 | 88.2 | 3,306 | 1.7 | 32 | 0.0 | 173,466 | 90.0 |
| Total registered shares | | | | | | | | |
| Unregistered shares | | | | | | | | |
| Total | 188,892 | 98.0 | 3,724 | 1.9 | 182 | 0.1 | 192,798 | 100.0 |

At year-end 2021, UBS owned 302,815,328 UBS Group AG registered shares, which corresponded to 8.18% of the total share capital of UBS Group AG. At the same time, UBS had acquisition positions relating to 327,114,543 voting rights of UBS Group AG and disposal positions relating to 184,989,149 such rights, corresponding to 8.84% and 5.00% of the total voting rights of UBS Group AG, respectively. Of the disposal positions, 174,354,474 related to voting rights on shares deliverable in respect of employee awards. The calculation methodology for the acquisition and disposal positions is based on the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, which states that all future potential share delivery obligations, irrespective of the contingent nature of the delivery, must be considered.

## Employee share ownership

Employee share ownership is encouraged and made possible in a variety of ways. Our Equity Plus Plan is a voluntary plan that provides eligible employees with the opportunity to purchase UBS Group AG shares at market value and receive, at no additional cost, one notional UBS Group AG share for every three shares purchased. The Equity Ownership Plan (the EOP) is a mandatory deferral plan for all employees with regulatory-driven deferral requirements or total compensation greater than USD / CHF 300,000, excluding selected senior leaders. EOP recipients receive a portion of their deferred performance award in notional shares (and / or notional funds for Asset Management). Selected senior leaders receive the equity-based Long-Term Incentive Plan (the LTIP) instead of the EOP. Both the EOP and LTIP include provisions that allow the firm to reduce or fully forfeit the unvested deferred portion of an award if an employee commits certain harmful acts, and in most cases trigger forfeiture where employment has been terminated. To reinforce our emphasis on sustainable performance and risk management, and our focus on achieving growth ambitions, EOP and LTIP awards granted to certain employees will only vest if predetermined performance conditions are met.

On 31 December 2021, UBS employees held at least 7% of UBS shares outstanding (including approximately 5% in unvested notional shares from our compensation programs). These figures are based on known shareholding information from employee participation plans, personal holdings with UBS and selected individual retirement plans. At the end of 2021, at least 30% of all employees held UBS shares through the firm's employee share participation plans.

› **Refer to the "Compensation" section on page 228 of this report for more information**

## Trading restrictions in UBS shares

UBS employees with regular access to unpublished price-sensitive information about the firm are subject to specific restrictions in respect to UBS financial instruments, including, but not limited to, pre-clearance requirements and regular blackout periods. Such UBS employees are not permitted to trade UBS financial instruments in the period starting from the close of business in New York on the seventh business day of the final month of the financial quarter of UBS Group AG and ending on the day of the publication of the quarterly financial results.

## Shares and participation certificates

UBS Group AG has a single class of shares, which are registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Act on Intermediated Securities). Each registered share has a nominal value of CHF 0.10 and carries one vote, subject to the restrictions set out under "Transferability, voting rights and nominee registration" below.

We have no participation certificates outstanding.

| | Shares registered | |
|---|---|---|
| | Number | % |
| | 407,015,326 | 11.0 |
| | 532,743,019 | 14.4 |
| | 962,470,959 | 26.0 |
| | 1,902,229,304 | 51.4 |
| | 1,800,193,691 | 48.6 |
| | 3,702,422,995 | 100.0 |

| Individual shareholders | | Legal entities | | Nominees | | Total | |
|---|---|---|---|---|---|---|---|
| Number of shares | % | Number of shares | % | Number of shares | % | Number of shares | % |
| 2,353,309 | 0.1 | 38,231,738 | 1.0 | 314,298,798 | 8.5 | 354,883,845 | 9.6 |
| *895,352* | *0.0* | *32,243,999* | *0.9* | *314,079,349* | *8.5* | *347,218,700* | *9.4* |
| 20,738,978 | 0.6 | 12,399,087 | 0.3 | 8,213,841 | 0.2 | 41,351,906 | 1.1 |
| 44,135,588 | 1.2 | 70,477,887 | 1.9 | 623,075,242 | 16.8 | 737,688,717 | 19.9 |
| *12,300,749* | *0.3* | *1,303,330* | *0.0* | *10,696,165* | *0.3* | *24,300,244* | *0.7* |
| *19,457,985* | *0.5* | *288,377* | *0.0* | *578,307,924* | *15.6* | *598,054,286* | *16.2* |
| *11,187,562* | *0.3* | *30,050,555* | *0.8* | *33,946,355* | *0.9* | *75,184,472* | *2.0* |
| *1,189,292* | *0.0* | *38,835,625* | *1.0* | *124,798* | *0.0* | *40,149,715* | *1.1* |
| 339,787,451 | 9.2 | 411,634,307 | 11.1 | 16,883,078 | 0.5 | 768,304,836 | 20.8 |
| 407,015,326 | 11.0 | 532,743,019 | 14.4 | 962,470,959 | 26.0 | 1,902,229,304 | 51.4 |
| 0 | | 0 | | 0 | | 1,800,193,691 | 48.6 |
| 407,015,326 | 11.0 | 532,743,019 | 14.4 | 962,470,959 | 26.0 | 3,702,422,995 | 100.0 |

Our shares are listed on the NYSE as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

› **Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section on page 183 of this report for more information**

## Distributions to shareholders

The decision to pay a dividend and the amount of any dividend depend on a variety of factors, including our profits, cash flow generation and capital ratios.

At the 2022 AGM, the BoD intends to propose to shareholders for approval a dividend of USD 0.50 per share for the 2021 financial year. Shareholders whose shares are held through SIX SIS AG will receive dividends in Swiss francs, based on a public exchange rate on the day prior to the ex-dividend date. Shareholders holding shares through The Depository Trust Company in New York and Computershare will be paid dividends in US dollars.

In compliance with Swiss tax law, 50% of the dividend will be paid out of retained earnings and the balance will be paid out of the capital contribution reserve. Dividends paid out of capital contribution reserves are not subject to Swiss withholding tax. The portion of the dividend paid out of retained earnings will be subject to a 35% Swiss withholding tax. For US federal income tax purposes, we expect that the dividend will be paid out of current or accumulated earnings and profits.

Provided that the proposed dividend distribution out of retained earnings and out of the capital contribution reserve will be approved at the AGM on 6 April 2022, the payment of USD 0.50 per share will be made on 14 April 2022 to holders of shares on the record date 13 April 2022. The shares will be traded ex-dividend as of 12 April 2022 and, accordingly, the last day on which the shares may be traded with entitlement to receive the dividend will be 11 April 2022.

In February 2021, the BoD launched a new three-year share buyback program. At the 2021 AGM, the shareholders authorized the BoD to buy back shares for cancellation purposes in an aggregate value of up to CHF 4 billion until the 2024 AGM. Any shares bought back under the program are intended to be canceled by way of capital reduction, which will be subject to shareholder approval at one or several subsequent AGMs, and the acquisition and holding of such shares are not subject to the 10% threshold for UBS Group AG's own shares within the meaning of Art. 659 para. 1 of the Swiss Code of Obligations. Since the start of this 2021 share repurchase program in February 2021 until 18 February 2022, we have bought back CHF 2.78 billion of shares. These shares are expected to be canceled by means of a capital reduction, to be proposed for shareholder approval at the 2022 AGM.

Looking ahead, we intend to commence a new 2022 share buyback program of up to USD 6 billion over two years and expect to execute up to USD 5 billion of share repurchases under both the existing 2021 and the new 2022 share buyback program by the end of 2022.

› **Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section on page 183 of this report for more information about the share repurchase programs**

## Transferability, voting rights and nominee registration

We do not apply any restrictions or limitations on the transferability of shares. Voting rights may be exercised without any restrictions by shareholders entered into the share register if they expressly render a declaration of beneficial ownership according to the provisions of the Articles of Association.

We have special provisions for the registration of nominees. Nominees are entered in the share register with voting rights up to a total of 5% of all issued UBS Group AG shares if they agree to disclose, upon our request, beneficial owners holding 0.3% or more of all issued UBS Group AG shares. An exception to the 5% voting limit rule is in place for securities clearing organizations, such as The Depository Trust Company in New York.

› **Refer to "Shareholders' participation rights" in this section for more information**

## Convertible bonds and options

As of 31 December 2021, there were no contingent capital securities or convertible bonds outstanding requiring the issuance of new shares.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section on page 150 of this report for more information about our outstanding capital instruments**

As of 31 December 2021, there were no employee options and stock appreciation rights outstanding. Option-based compensation plans are sourced by issuing new shares out of conditional capital. As of 31 December 2021, 121,705,830 unissued UBS Group AG shares in conditional share capital were available for the issuance of new shares for this purpose.

› **Refer to "Conditional share capital" in this section for more information**

› **Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section on page 387 of this report for more information about outstanding options and stock appreciation rights**

# Shareholders' participation rights

We are committed to shareholder participation in decision-making processes. Our online voting platform offers registered shareholders a convenient log-in and online voting process. Registered shareholders are sent personal invitations to the general meetings. Together with the invitation materials, they receive a personal one-time password and a QR code to easily log in to the online voting platform, where they can enter their voting instructions or order an admission card for the general meeting.

Shareholders who choose not to receive the comprehensive invitation materials are informed of upcoming general meetings by a short letter containing a personal one-time password, a QR code for online voting and a reference to *ubs.com/agm*, where all information for the upcoming meeting is available.

General meetings offer shareholders the opportunity to raise questions for the BoD, GEB and internal and external auditors. Also, prior to our virtual general meetings, we offer all shareholders the opportunity to contact us with questions, which are answered in writing or during the general meeting.

## Voting rights, restrictions and representation

We place no restrictions on share ownership and voting rights. However, pursuant to general principles formulated by the BoD, nominee companies, which normally represent a large number of individual shareholders and may hold an unlimited number of shares, have voting rights limited to a maximum of 5% of all issued UBS Group AG shares. This is to avoid large shareholders being entered in UBS's share register via nominee companies so as to exercise influence without directly registering their shares with UBS. Securities clearing organizations, such as The Depository Trust Company in New York, are not subject to this 5% voting limit.

Shareholders can exercise voting rights conferred by shares only if they are registered in our share register with voting rights. To register, shareholders must confirm that they have acquired UBS Group AG shares in their own name and for their own account. Nominee companies are required to sign an agreement confirming their willingness to disclose, upon our request, individual beneficial owners holding more than 0.3% of all issued UBS Group AG shares.

All shareholders registered with voting rights are entitled to participate in general meetings. If they do not wish to attend in person, they may issue instructions to support, reject or abstain for each individual item on the meeting agenda, either by giving instructions to an independent proxy in accordance with article 14 of the Articles of Association (the AoA) or by appointing another registered shareholder of their choice to vote on their behalf. Alternatively, registered shareholders may issue their voting instructions to the independent proxy electronically through our online voting platform. Nominee companies normally submit the proxy material to the beneficial owners and forward the collected votes to the independent proxy.

In 2021, physical attendance at the AGM was not possible, due to COVID-19-related restrictions in Switzerland, and voting rights could only be exercised through the independent proxy. Due to the ongoing pandemic, the BoD has decided to also hold the 2022 AGM without the physical participation of shareholders.

› **Refer to article 14 of the Articles of Association of UBS Group AG, available at *ubs.com/governance*, for more information about the issuing of instructions to independent voting right representatives**

## Statutory quorums

Motions are decided at a general meeting by an absolute majority of the votes cast, excluding blank and invalid ballots. For the approval of certain specific issues, the Swiss Code of Obligations requires a positive vote from a two-thirds majority of the votes represented at the given general meeting, and from an absolute majority of the nominal value of shares represented thereat. Such issues include creating shares with privileged voting rights, introducing restrictions on the transferability of registered shares, conditional and authorized capital increases and restricting or excluding shareholders' preemptive rights.

The AoA also require a two-thirds majority of votes represented for approval of any change to their provisions regarding the number of BoD members, any decision to remove one-quarter or more of the BoD members and any modification to the provision establishing this qualified quorum.

Votes and elections are generally conducted electronically to ascertain the exact number of votes cast. Voting by a show of hands is possible if a clear majority is predictable. Shareholders representing at least 3% of the votes represented may request that a vote or election be carried out electronically or by written ballot. To allow shareholders to clearly express their views on all individual topics, each agenda item is separately put to a vote and BoD members are elected on a person-by-person basis.

## Convocation of general meetings of shareholders

The AGM must be held within six months of the close of the financial year (i.e., 31 December). In 2022, the AGM will take place on 6 April.

Extraordinary General Meetings (EGMs) may be convened whenever the BoD or the auditors consider it necessary. Shareholders individually or jointly representing at least 10% of the share capital may at any time, including during an AGM, require, by way of a written statement, that an EGM be convened to address a specific issue they put forward.

A personal invitation, including a detailed agenda, is made available to every registered shareholder at least 20 days ahead of each scheduled general meeting. The items on the agenda are also published in the Swiss Official Gazette of Commerce, as well as at *ubs.com/agm*.

## Placing of items on the agenda

Pursuant to our AoA, shareholders individually or jointly representing shares with an aggregate minimum nominal value of CHF 62,500 may submit proposals for matters to be placed on the agenda for consideration at the next general meeting of shareholders.

At the beginning of January, the invitation to submit such proposals is published in the Swiss Official Gazette of Commerce and at *ubs.com/agm.* Requests for items to be placed on the agenda must include the actual motions to be put forward, together with a short explanation. Such requests must be submitted to the BoD 50 days prior to the general meeting of shareholders, including a statement from the depository bank confirming the number of shares held by the requesting shareholder(s) and that these shares are blocked from sale until the end of the general meeting of shareholders. The BoD formulates opinions on the proposals, which are published together with the motions.

## Registrations in the share register

The share register of UBS Group AG, where around 190,000 shareholders are directly registered, is an internal, non-public register subject to statutory confidentiality, secrecy, privacy and data protection regulations protecting registered shareholders. In general, third parties and shareholders have no inspection rights with regard to data related to other shareholders. Disclosure of such data is permitted only in specific and limited instances. In line with the Swiss Federal Act on Data Protection, the disclosure of personal data as defined thereunder is only allowed with the consent of the registered shareholder and in cases where there is an overriding private or public interest or if explicitly provided for by Swiss law. The Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading contains specific reporting duties, such as in relation to significant shareholders (refer to "Significant shareholders" in this section for more information). Disclosure may also be required or requested by a court of a competent jurisdiction, by any regulatory body that regulates the conduct of UBS Group AG or by other statutory provisions.

The general rules for entry into our Swiss share register with voting rights are described in article 5 of our AoA. The same rules apply to our US transfer agent that operates the US share register for all UBS Group AG shares in a custodian account in the US, where some 230,000 US shareholders are indirectly registered via nominee companies. In order to determine the voting rights of each shareholder, our share register generally closes two business days prior to a general meeting. Our independent proxy agent processes voting instructions from shareholders as long as technically possible, generally also until two business days before a general meeting. Such technical closure of our share register facilitates the determination of the actual voting rights of every shareholder that issued a voting instruction. Irrespective of this technical closure, shares that are registered in our share register are never immobilized and are freely tradable at any time, irrespective of any issued voting instructions.

› **Refer to article 5 of the Articles of Association of UBS Group AG, available at *ubs.com/governance*, for more information about the general rules for entry into our Swiss share register**

# Board of Directors

The BoD of UBS Group AG, led by the Chairman, consists of between 6 and 12 members, as per our AoA.

The BoD decides on the strategy of the Group, upon recommendation by the Group Chief Executive Officer (the Group CEO), and is responsible for the overall direction, supervision and control of the Group and its management. It is also responsible for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries, and is responsible for establishing a clear Group governance framework to provide effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It approves all financial statements and appoints and removes all GEB members.

The BoD of UBS AG, led by the Chairman, decides on the strategy of UBS AG upon recommendation by the President of its Executive Board and exercises the ultimate supervision of management. Its ultimate responsibility for the success of UBS AG is exercised subject to the parameters set by the Group.

## Members of the Board of Directors

At the AGM on 8 April 2021, Jeremy Anderson, William C. Dudley, Reto Francioni, Fred Hu, Mark Hughes, Nathalie Rachou, Julie G. Richardson, Dieter Wemmer and Jeanette Wong were re-elected as members of the BoD. Beatrice Weder di Mauro did not stand for re-election; the biography of Ms. Weder di Mauro can be found on page 190 of the UBS Group AG Annual Report 2020, available under "Annual reporting" at *ubs.com/investors*. Claudia Böckstiegel and Patrick Firmenich were elected for their first terms. At that same AGM, Axel A. Weber was re-elected Chairman, and Julie G. Richardson, Reto Francioni, Dieter Wemmer and Jeanette Wong were elected as members of the Compensation Committee. ADB Altorfer Duss & Beilstein AG was elected as independent proxy agent. Following his re-election, the BoD appointed Jeremy Anderson as Vice Chairman and Senior Independent Director of UBS Group AG.

On 20 November 2021, the BoD announced that Colm Kelleher would be nominated for election to the BoD of UBS Group AG and UBS AG to succeed Axel A. Weber as Chairman at the forthcoming AGMs. Mr. Kelleher was the President of Morgan Stanley & Company, and responsible for Institutional Securities and Wealth Management from 2016 to 2019. In his 30-year career with Morgan Stanley, he held various senior management positions, including Chief Financial Officer during the financial crisis in 2008. In addition, the BoD announced that Lukas Gähwiler would be nominated for election to the BoD of UBS Group AG and UBS AG as Vice Chairman at the forthcoming AGMs. Having joined UBS in 2010 as a member of the GEB of UBS AG and President UBS Switzerland, Mr. Gähwiler stepped down from those roles in 2016 and has been Chairman of the board of directors of UBS Switzerland AG since 2017. He will step down from the board of directors of UBS Switzerland AG as of 5 April 2022.

Article 31 of our AoA limits the number of mandates that members of the BoD may hold outside UBS Group to four mandates in listed companies and five additional mandates in non-listed companies. Mandates in companies that are controlled by us or that control us are not subject to this limitation. In addition, members of the BoD may hold no more than 10 mandates at UBS's request and 10 mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations. As of 31 December 2021, no member of the BoD reached the thresholds described in article 31 of our AoA.

The following biographies provide information about the BoD members who were in office in 2021 and the Group Company Secretary. In addition to information on mandates, the biographies include information on memberships or other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

No member of the BoD currently carries out or has carried out over the past three years operational management tasks within the Group; therefore, all members of the Board are non-executive members.

All members of UBS Group AG's BoD are also members of UBS AG's BoD, and committee membership is the same for both entities. The Senior Independent Director function relates only to UBS Group AG.

In 2021, UBS AG's BoD had three permanent committees: the Audit Committee, the Compensation Committee and the Risk Committee. In addition to those permanent committees, UBS Group AG also had the Corporate Culture and Responsibility Committee and the Governance and Nominating Committee.

## Axel A. Weber

**Chairman of the Board of Directors and non-executive member of the Board since 2012**
- Chairperson of the Corporate Culture and Responsibility Committee since 2013
- Chairperson of the Governance and Nominating Committee since 2012

**Nationality:** German | **Year of birth:** 1957

Axel A. Weber was elected Chairman of UBS in 2012. He gained international recognition as the President of the Deutsche Bundesbank. During his six-year tenure there, he also served as a member of the Governing Council of the European Central Bank, a member of the Board of Directors of the Bank for International Settlements, German governor of the International Monetary Fund and a member of the G7 and G20 Ministers and Governors. As an expert in international and monetary economics, Mr. Weber strove to strengthen the Bundesbank's importance in the group of the 17 European central banks and led the Bundesbank through the events of the global real estate and financial crisis. Before the Deutsche Bundesbank, he had a career as a renowned expert in monetary and currency theories through his academic posts at several German universities.

**Professional experience**

| | |
|---|---|
| 2011 – 2012 | Visiting professor, University of Chicago Booth School of Business, USA (on leave, University of Cologne, Germany) |
| 2011 | Member of the Steering Committee, the European Systemic Risk Board |
| 2010 – 2011 | Member of the Steering Committee, the Financial Stability Board |
| 2004 – 2011 | President, Deutsche Bundesbank |
| 2002 – 2004 | Member, German Council of Economic Experts |
| 2001 – 2004 | Professor of International Economics and Director of the Centre for Financial Research, University of Cologne |
| 1998 – 2001 | Professor for Applied Monetary Economics and Director of the Center for Financial Studies, Goethe University Frankfurt am Main |
| 1994 – 1998 | Professor of Economic Theory, University of Bonn |

**Education**
- Master's degree, economics, University of Constance
- Doctorate (Dr. rer. pol.) and habilitation, economics, University of Siegen, Germany

**Other activities and functions**
- Vice Chairman of the Swiss Bankers Association
- Member of the Board of Trustees of Avenir Suisse
- Member of the Board 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, DC
- Member of the Advisory Board of the Department of Economics, University of Zurich
- European Chairman of the Trilateral Commission

**Key competencies**
- Finance, audit, accounting
- Risk management, compliance and legal
- Regulatory authority, central bank
- ESG (environmental, social and governance)

**Leadership experience**
- CEO, Chairman

## Jeremy Anderson

**Vice Chairman and Senior Independent Director since 2020 and non-executive member of the Board since 2018**
– Member of the Governance and Nominating Committee since 2019
– Chairperson of the Audit Committee since 2018

**Nationality:** British I **Year of birth:** 1958

Jeremy Anderson is a financial services veteran, with more than 30 years' experience working in the banking and insurance sector in an advisory capacity, covering a broad range of topics, including strategy, audit and risk management, technology-enabled transformation, mergers, and bank restructuring. Before retiring from KPMG in 2017, he was its Chairman of Global Financial Services. Mr. Anderson is also an IT expert, having started out as a software developer in the early 1980s, before working in IT consulting and developing a broad knowledge of systems integration and IT outsourcing services, as well as software development. He cemented his reputation as a tech specialist by becoming a founding sponsor of KPMG's Global Fintech Network in 2014.

**Professional experience**

| | |
|---|---|
| 2010 – 2017 | Chairman of Global Financial Services, KPMG International |
| 2008 – 2011 | Head of Clients and Markets KPMG Europe, KPMG International |
| 2006 – 2011 | Head of Financial Services KPMG Europe, KPMG International |
| 2004 – 2006 | Head of Financial Services KPMG UK, KPMG International |
| 2002 – 2004 | Member of the Group Management Board and Head of UK operations, Atos Origin SA |
| 1985 – 2002 | KPMG consulting UK, KPMG |
| 1980 – 1985 | Software developer, Triad Computing Systems |

**Education**
– Bachelor's degree, economics, University College London

**Listed company boards**
– Member of the Board of Prudential plc

**Other activities and functions**
– Trustee of the UK's Productivity Leadership Group
– Trustee of Kingham Hill Trust
– Trustee of St. Helen's Bishopsgate

**Key competencies**
– Banking (wealth management, asset management, personal and corporate banking) and insurance
– Finance, audit, accounting
– Risk management, compliance and legal
– Technology, cybersecurity

**Leadership experience**
– Executive board leadership

## Claudia Böckstiegel

**Non-executive member of the Board since 2021**

**Nationality:** Swiss and German I **Year of birth:** 1964

Claudia Böckstiegel has been General Counsel and a member of the Enlarged Executive Committee of Roche Holding AG since 2020. She started her professional career as an attorney in private practice in Germany, then joined the Swiss pharmaceutical company in Germany in 2001 and subsequently held various global management positions in the legal sector in Switzerland. Ms. Böckstiegel brings a wealth of know-how in a highly regulated sector. Her responsibilities at Roche Holding AG include a broad range of additional topics, such as safety, health & environment, patents, audit and risk advisory, compliance and sustainability.

**Professional experience**

| | |
|---|---|
| 2020 – date | General Counsel and member of the Enlarged Executive Committee, Roche Holding AG |
| 2016 – 2020 | Head of Legal Diagnostics, F. Hoffmann-La Roche Ltd., Basel, Switzerland, Roche Group |
| 2010 – 2016 | Head Legal Business, Roche Diagnostics International Ltd, Rotkreuz, Switzerland, Roche Group |
| 2005 – 2010 | Head Legal Business, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 2001 – 2005 | Legal Counsel, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 1995 – 2001 | Attorney (Partner), Philipp & Littig, Mannheim, Germany |
| 1992 – 1995 | Attorney (Associate), Dr. Hermann Büttner, Karlsruhe, Germany |

**Education**
– Master's degree, law, Universities of Mannheim and Heidelberg
– Master of Laws (LL.M.), Georgetown University, Washington, DC

**Key competencies**
– Risk management, compliance and legal
– Finance, audit, accounting
– ESG (environmental, social and governance)
– Regulatory authority, central bank

**Leadership experience**
– Executive board leadership

**Other activities and functions**
None

## William C. Dudley

**Non-executive member of the Board since 2019**
- Member of the Governance and Nominating Committee since 2020
- Member of the Corporate Culture and Responsibility Committee since 2019
- Member of the Risk Committee since 2019

**Nationality:** American (US) I **Year of birth:** 1953

William C. Dudley served as the President and CEO of the Federal Reserve Bank of New York for nine years. He demonstrated exceptional leadership in monetary policy and as a top regulator, including during the years of the global financial crisis. During that period, his additional area of focus included cultural behavior and social and governance topics in the financial services industry. He also served as the Vice Chairman and a permanent member of the Federal Open Market Committee. Mr. Dudley brings a wealth of experience in banking and research thanks to his former management positions at Goldman Sachs Group and Morgan Guaranty Trust.

**Professional experience**

| | |
|---|---|
| 2009 – 2018 | President and CEO, Federal Reserve Bank of New York, USA |
| 2007 – 2009 | Executive Vice President and Head Markets Group, Federal Reserve Bank of New York, USA |
| 2006 | Senior advisor (part-time), Goldman Sachs Group, USA |
| 2002 – 2005 | Partner and Director US Economic Research Group, Goldman Sachs Group, USA |
| 1996 – 2002 | Managing Director and Director US Economic Research Group, Goldman Sachs Group, USA |
| 1983 – 1996 | Economist at Goldman Sachs Group, Morgan Guaranty Trust Company, and Board of Governors of the Federal Reserve System |

**Education**
- Bachelor of Arts, New College of Florida
- Doctorate, economics, University of California, Berkeley

**Non-listed company boards**
- Member of the Board of Treliant LLC

**Other activities and functions**
- Senior Advisor to the Griswold Center for Economic Policy Studies, Princeton University
- Member of the Group of Thirty
- Member of the Council on Foreign Relations
- Chair of the Bretton Woods Committee Board of Directors
- Member of the Board of the Council for Economic Education

**Key competencies**
- Investment banking, capital markets
- Risk management, compliance and legal
- Regulatory authority, central bank
- ESG (environmental, social and governance)

**Leadership experience**
- CEO, Chairman

## Patrick Firmenich

**Non-executive member of the Board since 2021**
- Member of the Audit Committee since 2021
- Member of the Corporate Culture and Responsibility Committee since 2021

**Nationality:** Swiss I **Year of birth:** 1962

Patrick Firmenich has been Chairman of the Board of Firmenich International SA, the world's largest privately owned fragrances and flavorings company, since 2016, after leading the company as CEO during a 12-year tenure. He demonstrated his entrepreneurial leadership by significantly advancing the Firmenich group's global position through organic and in-organic growth and successfully continuously transformed the organization to respond to client needs and the market environment. He developed an ambitious sustainability strategy for the group to lead the industry in health, safety and environmental performance. Before joining Firmenich, he held several positions in the legal and banking sectors, including working as an international investment banking analyst.

**Professional experience**

| | |
|---|---|
| 2014 – 2016 | Vice Chairman of the Board, Firmenich International SA |
| 2002 – 2014 | CEO, Firmenich SA, Geneva |
| 2001 – 2002 | Corporate Vice President, Special Operations, Firmenich SA, Geneva |
| 1997 – 2001 | Vice President Fine Fragrance worldwide and Président Directeur Général, Firmenich & Cie, Paris and Firmenich Inc, New York |
| 1993 – 1997 | Vice President Fine Fragrance North America, Firmenich Inc, New York |
| 1990 – 1993 | Account Manager, Firmenich & Cie, Paris |
| 1988 – 1989 | Analyst, International Investment Banking, Credit Suisse First Boston |
| 1988 | Production administrator, Firmenich SA de CV, Mexico |
| 1984 – 1986 | Attorney, Business Law, Patry, Junet, Simon & Le Fort, Geneva |

**Education**
- Master's degree, law, University of Geneva, admitted to the bar in Geneva
- MBA, INSEAD Fontainebleau

**Non-listed company boards**
- Member of the Board of Jacobs Holding AG

**Other activities and functions**
- Member of the Board of INSEAD and INSEAD World Foundation
- Member of the Advisory Council of the Swiss Board Institute

**Key competencies**
- Risk management, compliance and legal
- Finance, audit, accounting
- ESG (environmental, social and governance)
- Banking (wealth management, asset management, personal and corporate banking) and insurance

**Leadership experience**
- CEO, Chairman

## Reto Francioni

**Non-executive member of the Board since 2013**
– Member of the Compensation Committee since 2019
– Member of the Risk Committee since 2015

**Nationality:** Swiss I **Year of birth:** 1955

Reto Francioni, as the former CEO of Deutsche Börse, can draw on many years of experience in the financial world. Prior to his role at Deutsche Börse, he was Chairman of the Supervisory Board and President of the SWX Group, Zurich, placing him at the heart of digitalization within the financial sector. In both positions, he drove a fundamental transformation to reshape the firms as world leaders in technology. Mr. Francioni has been a professor of applied capital markets theory at the University of Basel since 2006 and is the author of several highly respected books on capital markets issues. He has also served as an independent director on the boards of various major corporations.

**Professional experience**

| | |
|---|---|
| 2005 – 2015 | CEO, Deutsche Börse AG |
| 2002 – 2005 | Chairman of the Supervisory Board and President, SWX Group, Zurich |
| 2000 – 2002 | Co-CEO and Spokesman for the Board of Directors, Consors AG, Nuremberg |
| 1999 – 2000 | Deputy CEO, Deutsche Börse AG, Frankfurt am Main |
| 1993 – 2000 | Member of the Executive Board, Deutsche Börse AG, Frankfurt am Main |
| 1992 – 1993 | Director, Corporate Finance, Hoffmann-La Roche, Basel |
| 1989 – 1992 | Deputy Director and deputy CEO, Association Tripartite Bourses, Zurich |
| 1985 – 1988 | Equity sales and legal, Credit Suisse, New York and Zurich |
| 1981 – 1984 | Union Bank of Switzerland |

**Education**
– Master's degree and doctorate, law, University of Zurich

**Listed company boards**
– Member of the Board of Coca-Cola HBC AG (Senior Independent Non-Executive Director, chair of the nomination committee)

**Non-listed company boards**
– Chairman of the Board of Swiss International Air Lines AG
– Vice Chairman of the Board of MTIP AG

**Other activities and functions**
– Member of the Board of economiesuisse

**Key competencies**
– Investment banking, capital markets
– Risk management, compliance and legal
– Human resources management, including compensation
– Technology, cybersecurity

**Leadership experience**
– CEO, Chairman

## Fred Hu

**Non-executive member of the Board since 2018**
– Member of the Governance and Nominating Committee since 2020
– Member of the Risk Committee since 2020

**Nationality:** Chinese I **Year of birth:** 1963

Fred Hu has been the Chairman and CEO of Primavera Capital Group , an Asia-based private investment firm focused on emerging technology and innovative industries, since founding it in 2010. Prior to that, he was a partner and Chairman for Greater China at Goldman Sachs, building the firm's Asia Pacific franchise. Mr. Hu has a profound understanding of China's economy and rapidly developing financial system, and vast amount of experience advising and investing in leading firms in the tech, consumer and health care sectors in China and globally. He has worked at the IMF and advised the Chinese government on economic policy.

**Professional experience**

| | |
|---|---|
| 2010 – date | Founder, Chairman & CEO, Primavera Capital Group, China |
| 2008 – 2010 | Partner and Chairman of Greater China, Goldman Sachs |
| 2004 – 2008 | Partner and Co-Head, Investment Banking, China, Goldman Sachs |
| 2003 – 2004 | Managing Director and Co-Head, Investment Banking, China, Goldman Sachs |
| 1997 – 2003 | Executive Director, then Managing Director and Chief Economist and Strategist, Greater China, Goldman Sachs |
| 1996 – date | Co-Director, the National Center for Economic Research |
| 1996 – date | Adjunct Professor, Economics, Tsinghua University |

**Education**
– Master's degree, engineering science, Tsinghua University
– Master's degree and doctorate, economics, Harvard University

**Listed company boards**
– Non-executive Chairman of the Board of Yum China Holdings (chair of the nomination and governance committee)
– Member of the Board of ICBC

**Non-listed company boards**
– Chairman of Primavera Capital Ltd
– Member of the Board of Ant Group
– Member of the Board of Minsheng Financial Leasing Co.

**Other activities and functions**
– Trustee of the China Medical Board
– Governor of the Chinese International School in Hong Kong SAR
– Co-Chairman of the Nature Conservancy Asia Pacific Council
– Member of the Board of Trustees, the Institute for Advanced Study
– Director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.

**Key competencies**
– Investment banking, capital markets
– Risk management, compliance and legal
– Technology, cybersecurity
– Regulatory authority, central bank

**Leadership experience**
– CEO, Chairman

## Mark Hughes

**Non-executive member of the Board since 2020**
– Chairperson of the Risk Committee since 2020
– Member of the Corporate Culture and Responsibility Committee since 2020

**Nationality:** Canadian, British and American (US) | **Year of birth:** 1958

Mark Hughes is a veteran in the financial services sector, having spent more than 35 years working for the Royal Bank of Canada (RBC) in Canada, in the US and the UK. In his final role as Group Chief Risk Officer of RBC, he was responsible for the strategic management of risk on an enterprise-wide basis and oversaw all risk functions. During his career, Mr. Hughes has also held senior management positions in the front office and key operational roles. Currently, he is a visiting lecturer at Leeds University and is chair of the Global Risk Institute, bringing an enormous amount of experience as a risk specialist to the Board of Directors of UBS.

### Professional experience

| | |
|---|---|
| 2014 – 2018 | Group Chief Risk Officer and member Group Executive Committee, Royal Bank of Canada |
| 2013 | Deputy Chief Risk Officer, Royal Bank of Canada |
| 2008 – 2013 | Chief Operating Officer, RBC Capital Markets, Royal Bank of Canada |
| 2001 – 2008 | Head of Global Credit, Royal Bank of Canada |
| 1999 – 2001 | Head of Debt Products, Royal Bank of Canada |
| 1998 – 1999 | Senior Vice President and General Manager USA, Royal Bank of Canada |
| 1997 – 1998 | Senior Vice President Financial Services, Royal Bank of Canada |
| 1982 – 1996 | Various positions, Royal Bank of Canada |

### Education
– Bachelor of Laws (LL.B.), University of Leeds
– MBA, finance, University of Manchester

### Other activities and functions
– Chair of the Board of Directors of the Global Risk Institute
– Visiting lecturer at the University of Leeds
– Senior advisor to McKinsey & Company

### Key competencies
– Banking (wealth management, asset management, personal and corporate banking) and insurance
– Investment banking, capital markets
– Risk management, compliance and legal
– Technology, cybersecurity

### Leadership experience
– Executive board leadership

## Nathalie Rachou

**Non-executive member of the Board since 2020**
– Member of the Risk Committee since 2020

**Nationality:** French | **Year of birth:** 1957

Nathalie Rachou is a seasoned expert in financial services, having held a number of banking positions, such as CEO of Prime Brokerage and Head of a business line in Capital Markets at Crédit Agricole Indosuez in the UK and in France. In 1999, she founded a London-based asset management company that merged with a French asset manager and continued as a senior adviser until 2020. Alongside these roles, Ms. Rachou brings extensive experience from serving as a board member of Société Générale for 12 years and is currently on the boards of two other listed companies, including the pan-European bourse, Euronext N.V.

### Professional experience

| | |
|---|---|
| 2015 – 2020 | Senior Advisor, Clartan Associés (formerly Rouvier Associés), France |
| 1999 – 2014 | Founding partner and CEO, Topiary Finance Ltd., UK |
| 1996 – 1999 | Head of Global Foreign Exchange and Currency Options, Crédit Agricole Indosuez (formerly Banque Indosuez), UK |
| 1991 – 1996 | Corporate Secretary and Secretary to the Board of Directors, Crédit Agricole Indosuez, France |
| 1986 – 1991 | COO, Carr Futures, France (owned by Banque Indosuez), Crédit Agricole Indosuez, France |
| 1983 – 1986 | Head of Asset and Liability Management & Market Risks, Crédit Agricole Indosuez, France |
| 1978 – 1982 | Position in Forex Exchange Sales, Crédit Agricole Indosuez, France and UK |

### Education
– Master's degree, management, HEC Paris
– MBA, INSEAD Fontainebleau

### Listed company boards
– Member of the Board of Euronext N.V. (chair of the remuneration committee)
– Member of the Board of Veolia Environnement SA (chair of the audit committee)

### Other activities and functions
– Member of the Board of the African Financial Institutions Investment Platform

### Key competencies
– Banking (wealth management, asset management, personal and corporate banking) and insurance
– Investment banking, capital markets
– Risk management, compliance and legal
– Finance, audit, accounting

## Julie G. Richardson

**Non-executive member of the Board since 2017**
- Chairperson of the Compensation Committee since 2019
- Member of the Governance and Nominating Committee since 2019
- Member of the Risk Committee since 2017

**Nationality:** American (US) I **Year of birth:** 1963

Julie G. Richardson spent more than 25 years on Wall Street as a senior investment banker with a focus on telecom, media and technology. She began her career at Merrill Lynch, before moving to JPMorgan, where she headed the telecommunications, media and technology investment banking group. Later, she moved into private equity, as head of the New York office of Providence Equity Partners. Throughout her career, Ms. Richardson has spent significant time with both incumbent and new technology companies, including being a board member of a digital knowledge management company and a leading cloud monitoring firm.

**Professional experience**

| | |
|---|---|
| 2012 – 2014 | Senior advisor, Providence Equity Partners, New York |
| 2003 – 2012 | Partner and Head of the New York office, Providence Equity Partners, New York |
| 1998 – 2003 | Vice Chairman of the Investment Banking division of JPMorgan Chase & Co. and Head of its Global Telecommunications, Media and Technology group |
| 1986 – 1998 | Various position at Merrill Lynch, final position: Managing Director Media and Communications Investment Banking |

**Education**
- Bachelor's degree, business administration, University of Wisconsin–Madison

**Listed company boards**
- Member of the Board of Yext (chair of the audit committee)
- Member of the Board of Datadog (chair of the audit committee)

**Key competencies**
- Investment banking, capital markets
- Risk management, compliance and legal
- Human resources management, including compensation
- Technology, cybersecurity

## Dieter Wemmer

**Non-executive member of the Board since 2016**
- Member of the Governance and Nominating Committee since 2020
- Member of the Audit Committee since 2019
- Member of the Compensation Committee since 2018

**Nationality:** Swiss and German I **Year of birth:** 1957

Dieter Wemmer began his esteemed career in the insurance sector with the Zurich Group in 1986, retiring in 2017 as CFO of Allianz. As a long-serving CFO of two large multi-national companies in the financial services sector, he brings deep experience across a broad range of highly relevant topics to the table. Mr. Wemmer brings to the BoD knowledge covering accounting, finance and audit, including capital markets, investments, risk management, as well as asset management. His know-how includes hands-on experience in M&A and management of large organizations with a dedication to strategy.

**Professional experience**

| | |
|---|---|
| 2013 – 2017 | CFO, Allianz SE |
| 2012 – 2013 | Member of the Board of Management, responsible for the insurance business in France, Benelux, Italy, Greece and Turkey and for the "Global Property & Casualty" Center of Competence, Allianz SE |
| 2007 – 2011 | CFO, Zurich Insurance Group |
| 2010 – 2011 | Regional Chairman of Europe, Zurich Insurance Group |
| 2004 – 2007 | CEO of the Europe General Insurance business and member of Zurich's Group Executive Committee, Zurich Insurance Group |
| 2003 – 2004 | COO of Europe General Insurance, Zurich Insurance Group |
| 1999 – 2003 | Head of Mergers and Acquisitions, Zurich Insurance Group |
| 1997 – 1999 | Head of Financial Controlling, Zurich Insurance Group |

**Education**
- Master's degree and doctorate, mathematics, University of Cologne

**Listed company boards**
- Member of the Board of Ørsted A/S (chair of the audit and risk committee)

**Non-listed company boards**
- Chairman of Marco Capital Holdings Limited, Malta and subsidiaries

**Other activities and functions**
- Member of the Berlin Center of Corporate Governance

**Key competencies**
- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal

**Leadership experience**
- Executive board leadership

## Jeanette Wong

**Non-executive member of the Board since 2019**
- Member Compensation Committee since 2020
- Member of the Corporate Culture and Responsibility Committee since 2020
- Member of the Audit Committee since 2019

**Nationality:** Singaporean I **Year of birth:** 1960

Jeanette Wong has spent more than 30 years working in the financial sector in Singapore. She retired from DBS Group in 2019, where she was Group Executive responsible for the institutional banking business, a post which encompassed corporate banking, global transaction services, strategic advisory and mergers and acquisitions. Prior to that, she held the position of CFO at DBS Bank. During a 16-year career with JPMorgan, Ms. Wong helped build up its Asia and emerging markets business. She brings extensive experience from serving as a member of the board of directors of two highly valued listed companies.

**Professional experience**

| | |
|---|---|
| 2008 – 2019 | Group Executive institutional banking business, DBS Bank, Singapore |
| 2003 – 2008 | CFO, DBS Bank |
| 2003 | Chief Administration Officer, DBS Bank, Singapore |
| 1997 – 2002 | Country Manager Singapore, JPMorgan Chase, Singapore |
| 1986 – 1997 | Various roles in Global Markets and Emerging Markets Sales and Trading business, Asia, JPMorgan Chase, Singapore |
| 1984 – 1986 | Manager, Private Banking, Citibank, Singapore |
| 1982 – 1984 | Manager, Corporate Banking, Paribas, Singapore |

**Education**
- Bachelor's degree, business administration, the National University of Singapore
- MBA, University of Chicago

**Listed company boards**
- Member of the Board of Prudential plc
- Member of the Board of Singapore Airlines Limited

**Non-listed company boards**
- Member of the Board Risk Committee of GIC Pte Ltd
- Member of the Board of Jurong Town Corporation
- Member of the Board of PSA International

**Other activities and functions**
- Chairman of the CareShield Life Council
- Member of the Securities Industry Council
- Member of the Board of Trustees of the National University of Singapore

**Key competencies**
- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- ESG (environmental, social and governance)

**Leadership experience**
- Executive board leadership

## Markus Baumann

**Group Company Secretary since 2017**

**Nationality:** Swiss I **Year of birth:** 1963

Markus Baumann joined UBS in 1979 as a banking apprentice and has now been with the firm for more than 40 years. Earlier in his career, he worked in Japan for four years, as Corporate Planning Officer and assistant to the CEO. He then worked as COO EMEA for UBS Asset Management and has since held a broad range of leadership roles across the Group in Switzerland, the US and Japan, including COO of Group Internal Audit from 2006 to 2015.

**Professional experience**

| | |
|---|---|
| 2017 – date | Group Company Secretary of UBS Group AG and Company Secretary of UBS AG |
| 2015 – 2016 | Chief of Staff to the Chairman of the Board of Directors, UBS |
| 2006 – 2015 | COO, Group Internal Audit, UBS |
| 2005 – 2006 | Head Global Reporting & Controlling, Global Asset Management, UBS |
| 2002 – 2004 | Head Management Support CEO EMEA, Global Asset Management, UBS |
| 1998 – 2002 | COO EMEA, Global Asset Management, UBS |
| 1979 – 1997 | Various positions, Union Bank of Switzerland |

**Education**
- Swiss Federal Diploma as a Business Analyst
- MBA, INSEAD Fontainebleau

## Elections and terms of office

Shareholders annually elect each member of the BoD individually, as well as the Chairman and the members of the Compensation Committee, based on proposals from the BoD.

As set out in the Organization Regulations, BoD members are normally expected to serve for at least three years. BoD members are limited to serving for a maximum of 10 consecutive terms of office; in exceptional circumstances the BoD may extend that limit.

› **Refer to "Skills, expertise and training of the Board of Directors" in this section for more information**

## Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, a Senior Independent Director, the BoD committee members (other than the Compensation Committee members, who are elected by the shareholders) and the respective committee Chairpersons. At the same meeting the BoD appoints the Group Company Secretary, who, pursuant to the Organization Regulations, acts as secretary to the BoD and its committees.

Pursuant to the AoA and the Organization Regulations, the BoD meets as often as business requires, but it must meet at least six times a year. Due to the continued COVID-19 pandemic, all meetings were organized as video calls, with the exception of the meeting held in October 2021. Additional video calls were organized during the reporting period to facilitate social engagement and interaction between the members of the BoD. During 2021, a total of 24 BoD meetings were held, 12 of which were attended by GEB members. Average participation in the BoD meetings was 99%. In addition to the BoD meetings attended by GEB members, the Group CEO attended some of the meetings of the BoD without GEB participation. The meetings had an average duration of 130 minutes and covered both UBS Group AG and UBS AG. Additionally, 10 ad hoc calls were held, 6 of which were attended by GEB members. The BoD held a number of strategy workshops throughout the year, during which the results of the new CEO's in-depth strategy review were covered. These strategy workshops included deep dives on each business division and geographical region, and topics such as the definition of the purpose, vision and strategic imperatives, as well as the digitalization of the business, sustainable finance, cultural and behavioral aspects, including agile approaches to ways of working. The strategy discussions were completed in October 2021, when the overarching strategy and implementation plans were agreed upon.

At the BoD meetings, each committee Chairperson provides the BoD with an update on current activities of his or her committee and important committee issues.

In 2021, four UBS AG BoD meetings were held with members of the Executive Board in attendance. Standalone meetings are held regularly to discuss and agree on finance, risk, compliance, operational risk, regulatory and other topics related to UBS AG. We also continued with the coordination and exchange of information between UBS Group AG and its significant group entities. Joint meetings between the BoD of UBS Group AG and the boards of directors of the significant group entities, as well as between the respective chairs of the risk and audit committees, have been held. As in prior years, an annual workshop, attended by independent members of the boards of the Group and significant group entities, was held.

## Performance assessment

Every third year, an external assessment of the effectiveness of the BoD is conducted. In 2022, this review concluded that the UBS BoD and committees operate effectively, in line with best practice, and set a high standard in comparison with leading international peers. The review also confirmed that the BoD agenda covers all important and relevant topics and that these are addressed professionally and in great depth. It further found that the BoD members are independent, highly committed and of the highest integrity, and that the Chairman provides effective leadership and direction. The review emphasized that the cooperation between the BoD and the GEB is based on mutual trust, respect and constructive dialogue. The mix of expertise in the BoD is broad-based and the quality of BoD members is high. The BoD and GEB have responded well to the economic environment, including successfully managing the firm through the COVID-19 pandemic and other significant challenges, while maintaining an appropriate focus on control and regulatory issues. The review highlights the successful CEO transition and onboarding and the well-planned and professionally executed Chairman succession process. No significant weaknesses were identified in the review, areas to be further focused on included the maintaining of a balanced agenda that provides sufficient room for business performance, strategic review and growth initiatives.

## BoD committees

The committees listed on the following pages assist the BoD in the performance of its responsibilities. These committees and their charters are described in our Organization Regulations, available at *ubs.com/governance*. The committees meet as often as their business requires, but no less than four times a year in the case of the Audit Committee, the Risk Committee and the Compensation Committee, and no less than two times a year in the case of the Corporate Culture and Responsibility Committee and the Governance and Nominating Committee. Topics of common interest or affecting more than one committee are discussed at joint committee meetings.

During 2021, a total of nine joint committee meetings were held for UBS Group AG (seven joint committee meetings were held simultaneously for UBS AG). The Risk Committee held two meetings with the Compensation Committee, two with the Corporate Culture and Responsibility Committee, and five with the Audit Committee.

### Board of Directors

| Members in 2021 | Meeting attendance without GEB[3] | | Meeting attendance with GEB[4] | |
|---|---|---|---|---|
| Axel A. Weber, Chairman | 12/12 | 100% | 12/12 | 100% |
| Jeremy Anderson | 12/12 | 100% | 12/12 | 100% |
| Claudia Böckstiegel[1] | 10/10 | 100% | 8/8 | 100% |
| William C. Dudley | 12/12 | 100% | 12/12 | 100% |
| Patrick Firmenich[1] | 10/10 | 100% | 8/8 | 100% |
| Reto Francioni | 12/12 | 100% | 12/12 | 100% |
| Fred Hu | 11/12 | 92% | 11/12 | 92% |
| Mark Hughes | 12/12 | 100% | 12/12 | 100% |
| Nathalie Rachou | 12/12 | 100% | 12/12 | 100% |
| Julie G. Richardson | 12/12 | 100% | 12/12 | 100% |
| Beatrice Weder di Mauro[2] | 2/2 | 100% | 4/4 | 100% |
| Dieter Wemmer | 12/12 | 100% | 12/12 | 100% |
| Jeanette Wong | 12/12 | 100% | 12/12 | 100% |

**Key responsibilities include:**

The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group's strategy and the necessary financial and human resources upon recommendation of the Group CEO and sets the Group's values and standards to ensure that its obligations to shareholders and other stakeholders are met.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance*, for more information**

1 Claudia Böckstiegel and Patrick Firmenich were elected to the Board at the 2021 AGM; indicated are their attended and total meetings after their election. 2 Beatrice Weder di Mauro did not stand for re-election at the 2021 AGM; indicated are her attended and total meetings up to the 2021 AGM. 3 Additionally, four ad hoc calls took place in 2021. 4 Additionally, six ad hoc calls took place in 2021.

## Audit Committee

Throughout 2021, the Audit Committee consisted of four 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 their duties and together must possess financial literacy and experience in banking and risk management.

The Audit Committee itself does not perform audits; instead, it oversees the work of the external auditors, Ernst & Young Ltd, who in turn are responsible for auditing the annual financial statements of UBS Group AG and UBS AG and for reviewing the quarterly financial statements.

In particular, the Audit Committee monitors the integrity of the financial statements of UBS Group AG and UBS AG and any announcements related to financial performance, and reviews significant financial reporting judgments contained in them, before recommending their approval to the BoD or proposing any adjustments the Audit Committee considers appropriate.

The Audit Committee oversees the relationship with, and assesses the qualifications, expertise, effectiveness, independence and performance of, the external auditors and the lead audit partner, and supports the BoD in reaching decisions on the appointment, reappointment or dismissal of the external auditors and the rotation of the lead audit partner. The BoD then submits proposals for shareholder approval at the AGM.

During 2021, the Audit Committee held 13 committee meetings, with a participation rate of 100%. The meetings had an average duration of approximately 145 minutes and covered both UBS Group AG and UBS AG. Additional attendees included the Chairman of the BoD, the Group CEO, the Group CFO, the Group Controller and Chief Accounting Officer, the Head Group Internal Audit (GIA) and the external auditors. The Chairperson and the committee continued to maintain regular contact with core supervisory authorities.

All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the 2002 US Sarbanes–Oxley Act, at least one member qualifies as a financial expert. The NYSE standards on corporate governance and Rule 10A-3 under the US Securities Exchange Act set more stringent independence requirements for members of audit committees than for the other members of the BoD. Throughout 2021, all members of the Audit Committee, in addition to satisfying our independence criteria, satisfied these requirements, in that they did not receive, directly or indirectly, any consulting, advisory or compensatory fees from any member of the Group other than in their capacity as a BoD member, did not hold, directly or indirectly, UBS Group AG shares in excess of 5% of the outstanding capital, and did not serve on the audit committees of more than two other public companies.

### Audit Committee

| Members in 2021 | Meeting attendance[3] | |
|---|---|---|
| Jeremy Anderson (Chairperson) | 13/13 | 100% |
| Patrick Firmenich[1] | 9/9 | 100% |
| Beatrice Weder di Mauro[2] | 4/4 | 100% |
| Dieter Wemmer | 13/13 | 100% |
| Jeanette Wong | 13/13 | 100% |

**Key responsibilities include:**

The function of the Audit Committee is to support the Board in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures.

Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The Audit Committee's responsibility is one of oversight and review.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance,* for more information**

1 Patrick Firmenich was elected to this committee at the 2021 AGM; indicated are his attended and total meetings after his election. 2 Beatrice Weder di Mauro did not stand for re-election at the 2021 AGM; indicated are her attended and total meetings up to the 2021 AGM. 3 Additionally, the Audit Committee held one ad hoc call.

## Compensation Committee

The Compensation Committee consisted of four independent BoD members throughout 2021, as indicated in the table below. In addition to the key responsibilities indicated in the same table, the Compensation Committee reviews the compensation disclosures included in this report.

During 2021, the Compensation Committee held nine meetings, with an average participation rate of 97%. The meetings had an average duration of approximately 90 minutes and covered both UBS Group AG and UBS AG. All meetings were held in the presence of the Chairman and the Group CEO and most were attended by external advisors. In 2021, the Chairperson met regularly with core supervisory authorities.

› **Refer to "Compensation for the Board of Directors" in the "Compensation" section on page 258 of this report for more information about the Compensation Committee's decision-making procedures**

## Corporate Culture and Responsibility Committee

In 2021, the Corporate Culture and Responsibility Committee consisted of the Chairperson and four independent BoD members. The Group CEO, the Group Chief Regulatory Officer, the President Asset Management and GEB lead for Sustainability and Impact, and the Chief Sustainability Officer are permanent guests of the Corporate Culture and Responsibility Committee. During 2021, six meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 80 minutes.

### Compensation Committee

| Members in 2021 | Meeting attendance[1] | |
|---|---|---|
| Julie G. Richardson (Chairperson) | 9/9 | 100% |
| Reto Francioni | 8/9 | 89% |
| Dieter Wemmer | 9/9 | 100% |
| Jeanette Wong | 9/9 | 100% |

**Key responsibilities include:**

The Compensation Committee is responsible for:

(i) supporting the Board in its duties to set guidelines on compensation and benefits;
(ii) approving the total compensation for the Chairman and the non-independent Board members;
(iii) proposing, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the Group CEO for approval by the Board and reviewing, upon the proposal of the Group CEO, the performance framework for the other GEB members;
(iv) proposing, upon proposal of the Chairman, the Group CEO's performance assessment for approval by the Board, as well as informing the Board of the performance assessments of all GEB members, including the Group CEO;
(v) proposing, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the Board; and
(vi) proposing, upon proposal of the Group CEO, the individual total compensation for the other GEB members for approval by the Board.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance,* for more information**

1 Additionally, the Compensation Committee held four ad hoc calls.

### Corporate Culture and Responsibility Committee

| Members in 2021 | Meeting attendance | |
|---|---|---|
| Axel A. Weber (Chairperson) | 6/6 | 100% |
| William C. Dudley | 6/6 | 100% |
| Patrick Firmenich[1] | 4/4 | 100% |
| Mark Hughes | 6/6 | 100% |
| Beatrice Weder di Mauro[2] | 2/2 | 100% |
| Jeanette Wong | 6/6 | 100% |

**Key responsibilities include:**

The Corporate Culture and Responsibility Committee supports the Board in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group.

In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The Corporate Culture and Responsibility Committee's function also encompasses the monitoring of the current state and implementation of the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility, including sustainability.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance*, for more information**

1 Following the 2021 AGM, Patrick Firmenich became a member of this committee; indicated are his attended and total meetings after his election. 2 Beatrice Weder di Mauro did not stand for re-election at the 2021 AGM; indicated are her attended and total meetings up to the 2021 AGM.

## Governance and Nominating Committee

In 2021, the Governance and Nominating Committee consisted of the Chairperson and five independent members. During 2021, nine meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 75 minutes. The Group CEO attended meetings as appropriate.

## Risk Committee

In 2021, the Risk Committee consisted of six independent members. During 2021, the Risk Committee held 11 committee meetings, with a participation rate of 100%. The average duration of each of the meetings was approximately 205 minutes, covering both UBS Group AG and UBS AG. The Group CEO, the Group CFO, the Group Chief Risk Officer, Group COO and later the Group Chief Digital and Information Officer, the Group Treasurer, the Group Chief Compliance and Governance Officer, the Group General Counsel, and the Head GIA attended the meetings. In 2021, the Chairperson or the full committee met with core supervisory authorities.

## Ad hoc committees

The Special Committee and the Strategy Committee are two ad hoc committees, which have a standing composition and hold meetings as and when required.

Leading up the 2021 AGM, the Special Committee was composed of four BoD members. Jeremy Anderson chaired the Special Committee, with Nathalie Rachou, Julie G. Richardson, and Axel A. Weber as its members; after the AGM, Claudia Böckstiegel joined the Special Committee. Its primary purpose is to oversee activities related to key litigation and investigation matters, review management's respective proposals and send to the BoD recommendations for decisions. In 2021, the key focus was the French cross-border matter. The Group CEO and the Group General Counsel are permanent guests. During 2021, six meetings were held, covering both UBS Group AG and UBS AG.

The Strategy Committee is composed of four BoD members. Its primary purpose is to support management and the BoD with regard to the assessment of strategic considerations and to assist with the planning of the annual strategy meetings for the BoD and the GEB. The committee sends recommendations for decisions to the BoD. Axel A. Weber chaired the Strategy Committee, with William C. Dudley, Fred Hu and Dieter Wemmer as its members. During 2021, one meeting was held, covering both UBS Group AG and UBS AG. The Group CEO, the Group CFO and the Head Corporate Development & Performance were present.

### Governance and Nominating Committee

| Members in 2021 | Meeting attendance[1] | |
|---|---|---|
| Axel A. Weber (Chairperson) | 9/9 | 100% |
| Jeremy Anderson | 9/9 | 100% |
| William C. Dudley | 9/9 | 100% |
| Fred Hu | 9/9 | 100% |
| Julie G. Richardson | 9/9 | 100% |
| Dieter Wemmer | 9/9 | 100% |

**Key responsibilities include:**

The function of the Governance and Nominating Committee is to support the Board in fulfilling its duty to establish best practices in corporate governance across the Group, including conducting a Board assessment, establishing and maintaining a process for appointing new Board and GEB members, as well as for the annual performance assessment of the Board.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance*, for more information**

1 Additionally, the Governance and Nominating Committee held five ad hoc calls.

### Risk Committee

| Members in 2021 | Meeting attendance[1] | |
|---|---|---|
| Mark Hughes (Chairperson) | 11/11 | 100% |
| William C. Dudley | 11/11 | 100% |
| Reto Francioni | 11/11 | 100% |
| Fred Hu | 11/11 | 100% |
| Nathalie Rachou | 11/11 | 100% |
| Julie G. Richardson | 11/11 | 100% |

**Key responsibilities include:**

The function of the Risk Committee is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework in the areas of:
(i) financial and non-financial risks; and
(ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance*, for more information**

1 Additionally, the Risk Committee held four ad hoc calls.

## Roles and responsibilities of the Chairman of the Board of Directors

At the 2022 AGM, Axel A. Weber will step down and Colm Kelleher will stand for election as the full-time Chairman of the BoD. The Chairman coordinates tasks within the BoD, calls BoD meetings and sets their agendas. He presides over all general meetings of shareholders and works with the committee Chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman undertakes responsibility for UBS's reputation, and is responsible for effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. This is in addition to establishing and maintaining close working relationships with the Group CEO and other GEB members, and providing advice and support when appropriate.

› **Refer to "Employees" in the "How we create value for our stakeholders" section on page 44 and the fold-out pages of this report for information about our Pillars, Principles and Behaviors**

In 2021, the Chairman met regularly with core supervisory authorities in all major locations where UBS is active. Meetings with important supervisory authorities were scheduled on an ad hoc or needs-driven basis.

## Roles and responsibilities of the Vice Chairmen and the Senior Independent Director

The BoD appoints one or more Vice Chairmen and a Senior Independent Director. If the BoD appoints more than one Vice Chairman, at least one of them must be independent. Both the Vice Chairman and the Senior Independent Director support the Chairman with regard to his responsibilities and authorities and provide him with advice. In conjunction with the Chairman and the Governance and Nominating Committee, they facilitate good Group-wide corporate governance, as well as balanced leadership and control within the Group, the Board and the committees. Jeremy Anderson has been the Vice Chairman and Senior Independent Director since 2020 and it is planned that he will remain Senior Independent Director following the 2022 AGM. Lukas Gähwiler will be appointed as Vice Chairman following the 2022 AGM. The Vice Chairman is required to lead and has led meetings of the BoD in the temporary absence of the Chairman. Together with the Governance and Nominating Committee, he is tasked with the ongoing monitoring and the annual evaluation of the Chairman. He also represents UBS on behalf of the Chairman in meetings with internal or external stakeholders. The Senior Independent Director enables and supports communication and the flow of information among the independent BoD members. At least twice a year, he organizes and leads a meeting of the independent BoD members without the participation of the Chairman. In 2021, two independent BoD meetings were held, covering both UBS Group AG and UBS AG, with an average participation rate of 81% and an average duration of approximately 85 minutes. The Senior Independent Director also relays to the Chairman any issues or concerns raised by the independent BoD members and acts as a point of contact for shareholders and stakeholders seeking discussions with an independent BoD member.

## Important business connections of independent members of the Board of Directors

As a global financial services provider and a major Swiss bank, we enter into business relationships with many large companies, including some in which our BoD members have management or independent board responsibilities. The Governance and Nominating Committee determines in each instance whether the nature of the Group's business relationship with such a company might compromise our BoD members' capacity to express independent judgment.

Our Organization Regulations require three-quarters of the UBS Group AG BoD members and one-third of those at UBS AG to be independent. For this purpose, independence is determined in accordance with FINMA Circular 2017/1 "Corporate governance – banks" and the NYSE rules.

In 2021, our BoD met the standards of the Organization Regulations for the percentage of directors who are considered independent under the criteria described above. Since our Chairman has a full-time contract with UBS Group AG, he is not considered independent. No other BoD member has a significant business connection to UBS or any of its subsidiaries. No BoD member currently carries out, or has carried out over the past three years, operational management tasks within the Group.

All relationships and transactions with UBS Group AG's independent BoD members are conducted in the ordinary course of business and are on the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. All relationships and transactions with BoD members' associated companies are conducted at arm's length.

› **Refer to "Note 31 Related parties" in the "Consolidated financial statements" section on page 397 of this report for more information**

## Checks and balances: Board of Directors and Group Executive Board

We operate under a strict dual board structure, as mandated by Swiss banking law. The separation of responsibilities between the BoD and the GEB is clearly defined in the Organization Regulations. The BoD decides on the strategy of the Group, upon recommendations by the Group CEO, and exercises ultimate supervision over management; whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman and Group CEO are assigned to two different people, leading to a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of the Group, for which responsibility is delegated to the GEB, under the leadership of the Group CEO. No member of one board may simultaneously be a member of the other.

Supervision and control of the GEB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the AoA and the Organization Regulations.

## Skills, expertise and training of the Board of Directors

The BoD is composed of members with a broad spectrum of skills, educational backgrounds, experience and expertise from a range of sectors that reflect the nature and scope of the firm's business. With a view to recruiting needs, the Governance and Nominating Committee uses a competencies and experience matrix to identify any gaps in the competencies considered most relevant to the BoD, taking into consideration the firm's business exposure, risk profile, strategy and geographic reach.

We asked our BoD members to select their four key competencies from the following eight categories and to indicate whether they have ever been a CEO or chairperson of a listed company or a member of the executive board of such a company:

### Key competencies

- banking (wealth management, asset management, personal and corporate banking) and insurance
- investment banking, capital markets
- finance, audit, accounting
- risk management, compliance and legal
- human resources management, including compensation
- technology, cybersecurity
- regulatory authority, central bank
- environmental, social and governance (ESG)

### Leadership experience

- experience as CEO or chairperson
- executive board leadership experience (e.g., as CFO, chief risk officer or COO of a listed company)

The Governance and Nominating Committee reviews these categories and ratings annually to confirm that the BoD continues to possess the most relevant experience and competencies to perform its duties.

With regard to the BoD composition after the 2021 AGM, members thereof identified all of the target competencies as being their key competencies. Particularly strong levels of experience and expertise existed in these areas:

- financial services
- risk management, compliance and legal
- finance, audit, accounting

Furthermore, 10 of the 12 BoD members have held or currently hold chairperson, CEO or other executive board-level leadership positions.

Moreover, education remained an important priority for our BoD members. In addition to a comprehensive induction program for new BoD members, continuous training and topical deep dives are part of the BoD agenda.

› **Refer to "Risk governance" in the "Risk management and control" section on page 103 of this report for information about our risk governance framework**

### Terms of office[1]

| | |
|---|---|
| **4** | <3 years |
| **6** | 3–6 years |
| **1** | 7–9 years |
| **1** | >9 years |

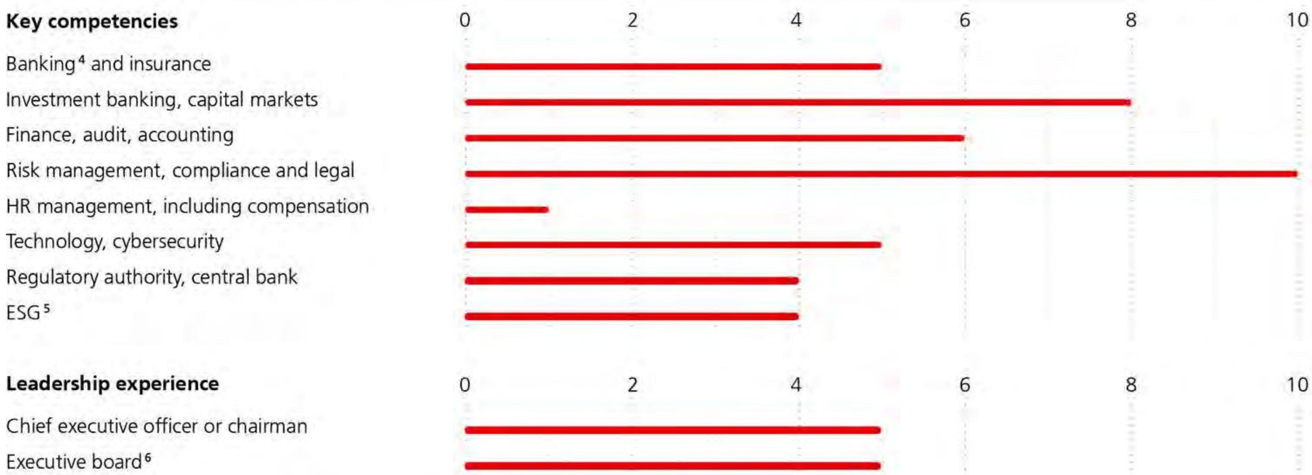
### Geographic diversity[2]

| | |
|---|---|
| **42%** | Switzerland |
| **17%** | Europe |
| **25%** | USA/Canada |
| **17%** | Asia |

### Gender

| | |
|---|---|
| **67%** | male |
| **33%** | female |

### Competencies and experience[3]




1 Terms of office until the 2022 AGM. 2 In the case of dual-nationals, the domicile applies. 3 The number of BoD members identifying a key competency as one of his / her key competencies; each member identified up to four key competencies (although not every sub-area of the respective competency might be applicable), plus one leadership experience. 4 Wealth management, asset management, and personal and corporate banking. 5 Environmental, social and governance. 6 For example, a CFO, chief risk officer or COO of a listed company.

## Succession planning

Succession planning is one of the key responsibilities of both the BoD and the GEB. Across all divisions and regions, an inclusive talent development and succession planning process is in place that aims to foster the personal development and Group-wide mobility of our employees. Although the recruiting process for BoD and GEB members takes into account a broad spectrum of factors, such as skills, backgrounds, experience and expertise, our approach with regard to diversity considerations does not constitute a diversity policy within the meaning of the EU Directive on Non-Financial Reporting, and Swiss law does not require UBS to maintain such a policy.

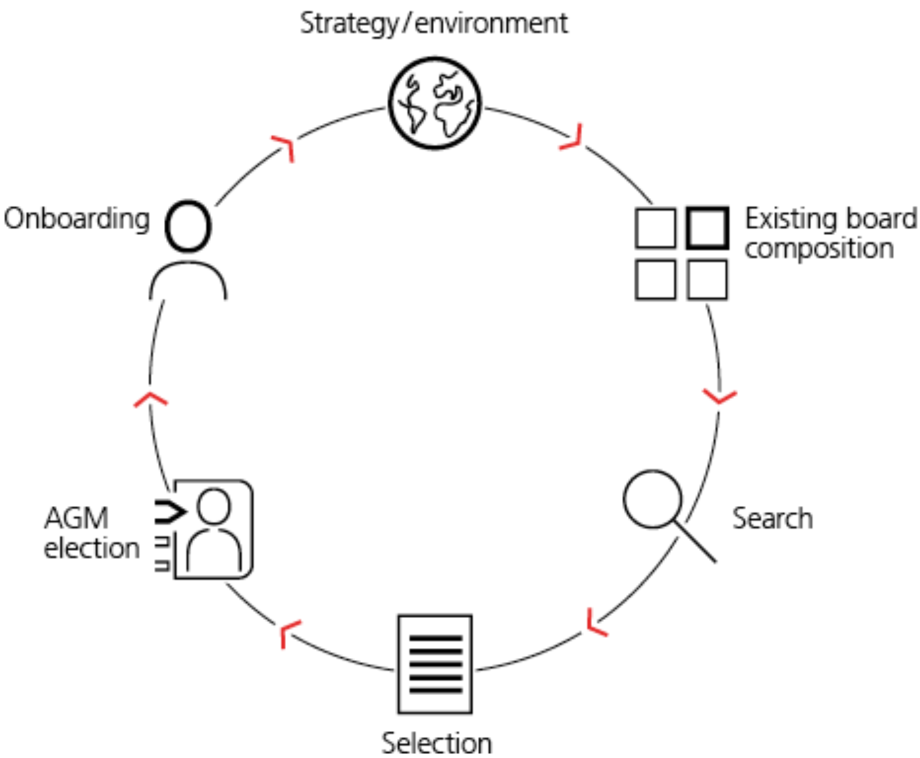
In 2021, the Chairman and the members of the BoD and the GEB launched several strategic initiatives with the close involvement of the BoD and with the aim of further strengthening UBS. The succession plans for the GEB and the management layer below it are managed under the lead of the Group CEO. The BoD reviews and approves the succession plans of the GEB.

For the BoD, the Chairman leads a systematic succession planning process as illustrated in the chart below.

Our strategy and the business environment constitute the main drivers in our succession planning process for new BoD members, as they define the key competencies required on the BoD. Taking the diversity and the tenure of the existing BoD into account, the Governance and Nominating Committee defines the recruiting profile for the search. Both external and internal sources contribute to identifying suitable candidates. The Chairman and the members of the Governance and Nominating Committee meet with potential candidates and, with the support of the full BoD, nominations are submitted to the AGM for approval. New BoD members follow an in-depth onboarding process designed to enable them to integrate efficiently and become effective in their new role. Due to this succession planning process, the composition of the BoD is in line with the demanding requirements of a leading global financial services firm.

The succession of both the CEO and Chairman, as well as of GEB members, was smoothly planned and is being carried out, demonstrating the strength and success of the succession planning at UBS.

**Board of Directors' succession planning process**



### Information and control instruments with regard to the Group Executive Board

The BoD is kept informed of the GEB's activities in various ways, including regular meetings between the Chairman, the Group CEO and GEB members. The Group CEO and other GEB members also participate in BoD meetings to update its members on all significant issues. The BoD also receives regular comprehensive reports, covering financial, capital, funding, liquidity, regulatory, compliance and legal developments, as well as performance against plan and forecasts for the remainder of the year. For important developments, BoD members are also updated by the GEB in between meetings. In addition, the Chairman receives the meeting material and minutes of the GEB meetings.

BoD members may request from other BoD or GEB members any information about matters concerning the Group that they require in order to fulfill their duties. When these requests are raised outside BoD meetings, such requests must go through the Group Company Secretary and be addressed to the Chairman.

The BoD is supported in discharging its governance responsibilities by GIA, which independently assesses whether risk management, control and governance processes are designed and operating sustainably and effectively.

The Head GIA reports directly to the Chairman. In addition, GIA has a functional reporting line to the Audit Committee in accordance with its responsibilities as set forth in our Organization Regulations. The Audit Committee assesses the independence and performance of GIA and the effectiveness of both the Head GIA and GIA as an organization, approves GIA's annual audit plan and objectives and monitors GIA's discharge of these objectives.

The committee is also in regular contact with the Head GIA. GIA issues quarterly reports that provide an overview of significant audit results and key issues, as well as themes and trends, based on results of individual audits, continuous risk assessment and issue assurance. The reports are provided to the Chairman, the members of the Audit and the Risk Committees, the GEB and other stakeholders. The Head GIA regularly updates the Chairman and the Audit Committee on GIA's activities, processes, audit plan execution, resourcing requirements and other important developments. GIA issues an annual Activity Report, which is provided to the Chairman and the Audit Committee to support their assessment of GIA's effectiveness.

› **Refer to "Group Internal Audit" in this section for more information**

› **Refer to "Internal risk reporting" in the "Risk management and control" section on page 108 of this report for information about reporting to the BoD**

# Group Executive Board

The BoD delegates the management of the business to the Group Executive Board (the GEB).

## Responsibilities, authorities and organizational principles of the Group Executive Board

As of 31 December 2021, the GEB, under the leadership of the Group CEO, consisted of 12 members. It has executive management responsibility for the steering of the Group and its business and assumes overall responsibility for developing the strategies of the Group, business divisions and Group Functions and implements the BoD approved strategies. The GEB is also the risk council of the Group, with overall responsibility for establishing and supervising the implementation of risk management and control principles, as well as for managing the risk profile of the Group, as determined by the BoD and the Risk Committee.

In 2021, the GEB held a total of 66 meetings for UBS Group AG.

At UBS AG, management of the business is also delegated, and its Executive Board, under the leadership of its President, has executive management responsibility for UBS AG and its business. In 2021, all members of the GEB were members of UBS AG's Executive Board, with the exception of Sabine Keller-Busse, who served as President UBS Switzerland AG. The Executive Board held 66 combined meetings with the GEB and four standalone meetings for UBS AG in 2021.

› **Refer to the Organization Regulations of UBS Group AG, available at *ubs.com/governance*, for more information about the authorities of the Group Executive Board**

## Changes to the Group Executive Board

Effective 1 February 2021, Axel P. Lehmann ended his tenure at UBS and Sabine Keller-Busse succeeded to the posts of President Personal & Corporate Banking and President UBS Switzerland. In addition to his responsibility as Co-President Global Wealth Management, Iqbal Khan assumed the role of President UBS EMEA from Sabine Keller-Busse as of 1 February 2021. Effective 1 April 2021, Robert Karofsky was appointed sole President Investment Bank, following Piero Novelli's decision to step down as Co-President Investment Bank as of 31 March 2021. Effective 1 May 2021, Mike Dargan was appointed Group Chief Digital and Information Officer (CDIO) and member of the GEB. The Group CDIO organization succeeded the function of the Group Chief Operating Officer. Effective 1 November 2021, and after 13 years of service, Markus U. Diethelm stepped down from his role as Group General Counsel and member of the GEB; he remains with UBS into 2022 as a senior advisor for selected legacy litigation matters. Barbara Levi assumed the role of Group General Counsel and member of the GEB. Ms. Levi joined UBS from Rio Tinto Group, where she served as Chief Legal Officer & External Affairs and before that as Group General Counsel and a member of the Executive Committee.

On 1 December 2021, UBS announced that Kirt Gardner will step down from his role as Group CFO in May 2022. Sarah Youngwood will join UBS and the GEB in March 2022 and will take over as Group CFO in May 2022. Ms. Youngwood has been CFO of JPMorgan Chase's consumer and community banking line of business since 2016. She also led Finance for its Global Technology unit.

The biographies on the following pages provide information about the GEB members in office as of 31 December 2021. The biographies of Piero Novelli and Markus U. Diethelm can be found on page 208 and 203 of the UBS Group AG Annual Report 2020, available under "Annual reporting" at *ubs.com/investors*. In addition to information on mandates, the biographies include memberships and other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

In line with Swiss law, article 36 of UBS Group AG's Articles of Association limits the number of mandates that GEB members may hold outside UBS Group to one mandate in a listed company and five additional mandates in non-listed companies. Mandates in companies that are controlled by UBS or that control UBS are not subject to this limitation. In addition, GEB members may not hold more than 10 mandates at a time at the request of the company and eight mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. On 31 December 2021, no member of the GEB reached the aforementioned thresholds.

## Responsibilities and authorities of the Asset and Liability Committees

The Asset and Liability Committees (the ALCOs) of UBS Group AG and UBS AG are sub-committees of the GEB and the Executive Board that are responsible for managing assets and liabilities in line with the strategy, risk appetite, regulatory commitments and the interests of shareholders and other stakeholders. The ALCO of UBS Group AG proposes the framework for capital management, capital allocation, funding and liquidity risk, and proposes limits and targets for the Group to the BoD for approval. It oversees the balance sheet management of the Group, its business divisions and Group Functions. In 2021, the ALCOs of UBS Group AG and UBS AG held 11 meetings.

## Management contracts

We have not entered into management contracts with any companies or natural persons that do not belong to the Group.

## Ralph Hamers

**Group Chief Executive Officer, member of the GEB since 2020**

**Nationality:** Dutch | **Year of birth:** 1966

Ralph Hamers has been Group CEO of UBS Group AG and President of the Executive Board of UBS AG since November 2020. Before joining UBS, he served as CEO and Chairman of the Executive Board of ING Group. During his time as CEO of ING, he steered the bank to profitability after the financial crisis and supported the firm's digital transformation. He also played a leading role in driving sustainability efforts in the financial industry, and firmly continues to do so.

**Professional experience**

| | |
|---|---|
| 2020 – date | Group CEO of UBS Group AG and President of the Executive Board of UBS AG |
| 2013 – 2020 | CEO and Chairman of the Executive Board, ING<br>Supervisory Board member of NN Group (2014 – 2015); Management Board Banking and Management Board NN Group (2013 – 2014) |
| 2011 – 2013 | CEO of ING Belgium and Luxembourg, ING |
| 2010 – 2011 | Head of Network Management for Retail Banking Direct & International, ING |
| 2007 – 2010 | Global Head of the Commercial Banking network, ING |
| 2005 – 2007 | CEO of ING Bank Netherlands, ING |
| 2002 – 2005 | General Manager of the ING Bank branch network, ING |
| 1999 – 2002 | General Manager of ING Romania, ING |

**Education**

– Master's degree, business econometrics and operations research, Tilburg University

**Other activities and functions**

– Member of the Board of the Swiss-American Chamber of Commerce
– Member of the Institut International d'Etudes Bancaires
– Member of the IMD Foundation Board
– Member of the McKinsey Advisory Council
– Member of the World Economic Forum International Business Council
– Governor of the World Economic Forum (Financial Services)

## Christian Bluhm

**Group Chief Risk Officer, member of the GEB since 2016**

**Nationality:** German | **Year of birth:** 1969

Christian Bluhm has been Group Chief Risk Officer since 2016. He held several positions in academia before starting his banking career in 1999 with Deutsche Bank in credit risk management, and subsequently working for Hypovereinsbank and Credit Suisse in the same area. Before joining UBS, he used his expertise and skills as Chief Risk & Financial Officer at FMS Wertmanagement. Mr. Bluhm is responsible for the development of the Group's risk management and control framework for various risk categories and implementation of its independent control frameworks.

**Professional experience**

| | |
|---|---|
| 2016 – date | Group Chief Risk Officer of UBS Group AG and Chief Risk Officer of UBS AG |
| 2012 – 2015 | Spokesman of the Executive Board, FMS Wertmanagement |
| 2010 – 2015 | Chief Risk & Financial Officer, FMS Wertmanagement |
| 2004 – 2009 | Managing Director, Credit Risk Management (Switzerland and Private Banking worldwide), Credit Suisse |
| 2008 – 2009 | Head Credit Risk Management Analytics & Instruments, Credit Suisse |
| 2004 – 2008 | Head of Credit Portfolio Management, Credit Suisse |
| 2001 – 2004 | Head Structured Finance Analytics, Group Credit Portfolio Management, Hypovereinsbank |
| 1999 – 2000 | Credit Risk Management, Deutsche Bank |

**Education**

– Master's degree, mathematics and informatics, and doctorate, mathematics, University of Erlangen-Nuremberg

**Other activities and functions**

– Member of the Board of UBS Switzerland AG
– Member of the Foundation Board of the UBS Pension Fund
– Member of the Foundation Board – International Financial Risk Institute

## Mike Dargan

**Group Chief Digital and Information Officer, member of the GEB since 2021**

**Nationality:** British | **Year of birth:** 1977

Mike Dargan was appointed Group Chief Digital and Information Officer (CDIO) in May 2021. The Group CDIO organization consists of the Group Technology teams and Group Corporate Services. In October 2021, he took up the additional role of UBS GEB sponsor to co-lead the AI, Data and Analytics center of expertise, along with Robert Karofsky. From his former roles at Standard Chartered Bank, Mr. Dargan brings proven experience in technology strategy and operations.

**Professional experience**

| | |
|---|---|
| May 2021 – date | Group CDIO, UBS Group AG and UBS AG |
| Oct. 2021 – date | President of the Executive Board, UBS Business Solutions AG |
| 2016 – 2021 | Head Group Technology, UBS |
| 2015 – 2016 | CIO for Corporate and Institutional Banking, Standard Chartered Bank |
| 2014 – 2015 | Global Group Technology and Operations Head for Global Markets, Wealth Management, Private Banking and Securities Services, Group Technology and Operations Engineering, Standard Chartered Bank |
| 2013 – 2014 | CIO for Financial Markets, Standard Chartered Bank |
| 2009 – 2013 | Global Head of Strategy and Corporate M&A, Global Markets, Standard Chartered Bank |
| 2005 – 2009 | Head Corporate Strategy & M&A, EMEA and Pacific Rim, Merrill Lynch |
| 1999 – 2005 | Head of Corporate and Institutional Banking Practice, Asia Pacific, Oliver Wyman |

**Education**
- Master's degree, politics, philosophy and economics, St. John's College, Oxford University

**Non-listed company boards**
- Member of the Board of Directors of Done Next Holdings AG

**Other activities and functions**
- Member of the Board of UBS Business Solutions AG
- Member of the Board of Trustees of the Inter-Community School Zurich

## Kirt Gardner

**Group Chief Financial Officer, member of the GEB since 2016**

**Nationality:** American (US) | **Year of birth:** 1959

Kirt Gardner became Group CFO in 2016. Earlier in his career, he worked for the management and technology consulting firms BearingPoint and Barents Group in the US, Asia, Latin America and Europe. Before joining UBS as CFO Wealth Management in 2013, Mr. Gardner held various leadership positions at Citigroup, including CFO and Head of Strategy within Global Transaction Services, Head of Strategy, Planning and Risk Strategy for the Corporate and Institutional Division, and Head of Global Strategy and Cost Management for the Consumer Bank.

**Professional experience**

| | |
|---|---|
| 2016 – date | Group CFO of UBS Group AG and CFO of UBS AG |
| 2013 – 2015 | CFO Wealth Management, UBS |
| 2010 – 2013 | CFO and Head of Strategy Global Transaction Services, Citigroup |
| 2006 – 2010 | Head of Strategy, Planning and Risk Strategy for the Corporate and Institutional Division, Citigroup |
| 2004 – 2006 | Head of Global Strategy and Cost Management for the Consumer Bank, Citigroup |
| 2000 – 2004 | Global Head of Financial Services Strategy, BearingPoint |
| 1994 – 2000 | Managing Director and Head of Financial Services Consulting, Barents Group |

**Education**
- Master's degree, international studies, University of Pennsylvania
- MBA, finance, the Wharton School

**Other activities and functions**
- Member of the Board of UBS Business Solutions AG

## Suni Harford

**President Asset Management, member of the GEB since 2019**

**Nationality:** American (US) | **Year of birth:** 1962

Suni Harford was appointed President Asset Management in 2019 and is the Chair of UBS Optimus Foundation. Ms. Harford has been the UBS GEB lead for Sustainability and Impact since May 2021. She started her Wall Street career at Merrill Lynch & Co., in investment banking, before embarking on a 24-year career at Citigroup Inc., the last nine years of which she was the Regional Head of Markets for North America. Ms. Harford then joined UBS, bringing with her a broad experience from across the industry, including in research, client coverage and risk management, and successfully led UBS Asset Management's integrated investments capabilities, driving performance for its clients.

### Professional experience

| | |
|---|---|
| 2019 – date | President Asset Management, UBS Group AG and UBS AG |
| 2017 – 2019 | Head of Investments, Asset Management, UBS |
| 2008 – 2017 | Regional Head of Markets for North Americas, Citigroup Inc. |
| 2004 – 2008 | Global Head of Fixed Income Research, Citigroup Inc. |

### Education

- Bachelor's degree, physics and mathematics, Denison University, Ohio
- MBA, Tuck School of Business, Dartmouth College

### Other activities and functions

- Chairman of the Board of Directors of UBS Asset Management AG
- Chair of the Board of UBS Optimus Foundation
- Member of the Leadership Council of the Bob Woodruff Foundation

## Robert Karofsky

**President Investment Bank, member of the GEB since 2018**

**Nationality:** American (US) | **Year of birth:** 1967

Robert Karofsky was appointed Co-President of the Investment Bank in 2018. He became sole President in April 2021. Before joining UBS, he acquired know-how in investment banking as an analyst and trader, working for various financial institutions such as Morgan Stanley, Deutsche Bank, and AllianceBernstein. He then became Global Head of Equities at UBS, responsible for driving UBS's growth strategy for equities globally. In October 2021, Mr. Karofsky was appointed to the additional role of UBS GEB sponsor to co-lead the AI, Data and Analytics center of expertise, along with Mike Dargan.

### Professional experience

| | |
|---|---|
| Apr. 2021 – date | President Investment Bank, UBS Group AG and UBS AG |
| 2018 – Mar. 2021 | Co-President Investment Bank, UBS |
| 2015 – 2021 | President UBS Securities LLC, UBS |
| 2014 – 2018 | Global Head Equities, UBS |
| 2011 – 2014 | Global Head of Equity Trading, AllianceBernstein |
| 2008 – 2010 | Co-Head of Global Equities, Deutsche Bank |
| 2005 – 2008 | Head of North American Equities, Deutsche Bank |
| 1994 – 2005 | Head of North American Trading, Morgan Stanley |

### Education

- Bachelor's degree, economics, Hobart and William Smith Colleges
- MBA, finance and statistics, University of Chicago's Booth School of Business

### Other activities and functions

- Member of the Board of UBS Americas Holding LLC
- Member of the Board of UBS Optimus Foundation
- Trustee of the UBS Americas Inc. Political Action Committee

## Sabine Keller-Busse

**President Personal & Corporate Banking and President UBS Switzerland, member of the GEB since 2016**

**Nationality:** Swiss and German | **Year of birth:** 1965

Sabine Keller-Busse was appointed President Personal & Corporate Banking and President UBS Switzerland in 2021, heading the leading Universal Bank in Switzerland. In her previous role, Group COO, she oversaw global functions such as technology, operations, human resources and corporate services. She has been pivotal in driving business alignment, and digital and cultural transformation, while also facilitating business growth as President UBS Europe, Middle East and Africa. Ms. Keller-Busse also brings in-depth experience regarding financial market infrastructure, having served on the Board of SIX Group for nine years.

**Professional experience**

| | |
|---|---|
| Feb. 2021 – date | President Personal & Corporate Banking and President UBS Switzerland, UBS Group AG |
| Feb. 2021 – date | President of the Executive Board, UBS Switzerland AG |
| 2018 – 2021 | Group COO of UBS and President of the Executive Board, UBS Business Solutions AG |
| 2019 – 2021 | President UBS Europe, Middle East and Africa, UBS |
| 2016 – 2021 | Member of the Executive Board of UBS AG |
| 2014 – 2017 | Group Head Human Resources, UBS |
| 2010 – 2014 | COO UBS Switzerland, UBS |
| 2008 – 2010 | Head Private Clients Region Zurich, Credit Suisse |
| 1995 – 2008 | Partner (2002), McKinsey & Company |

**Education**
– Master's degree and doctorate, economics, University of St. Gallen

**Listed company boards**
– Member of the Board of Zurich Insurance Group

**Other activities and functions**
– Member of the Foundation Council of the UBS International Center of Economics in Society
– Member of the Board and Board Committee of Zurich Chamber of Commerce
– Member of the Board of the University Hospital Zurich Foundation

## Iqbal Khan

**Co-President Global Wealth Management and President UBS EMEA, member of the GEB since 2019**

**Nationality:** Swiss | **Year of birth:** 1976

Iqbal Khan has been Co-President Global Wealth Management, which he leads with Tom Naratil, since 2019. He was appointed President UBS EMEA in February 2021. Mr. Khan joined Ernst & Young (EY) in 2001, holding many leadership positions and becoming the youngest ever partner of the firm's Swiss arm; when leaving EY, he was lead auditor of UBS. In 2013, he moved to Credit Suisse, holding senior leadership positions as CFO Private Banking & Wealth Management and later CEO International Wealth Management.

**Professional experience**

| | |
|---|---|
| 2019 – date | Co-President Global Wealth Management, UBS Group AG and UBS AG |
| Feb. 2021 – date | President UBS Europe, Middle East and Africa, UBS Group AG and UBS AG |
| 2015 – 2019 | CEO International Wealth Management, Credit Suisse |
| 2013 – 2015 | CFO Private Banking & Wealth Management, Credit Suisse |
| 2011 – 2013 | Managing Partner Assurance and Advisory Services – Financial Services, Ernst & Young |
| 2009 – 2011 | Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking, Ernst & Young |
| 2001 – 2009 | Various positions in Ernst & Young |

**Education**
– Swiss Certified Public Accountant
– Advanced Master of International Business Law degree (LLM), University of Zurich

**Other activities and functions**
– Member of the Supervisory Board of UBS Europe SE
– Member of the Board of UBS Optimus Foundation
– Member of the Board of Room to Read Switzerland

## Edmund Koh

**President UBS Asia Pacific, member of the GEB since 2019**

**Nationality:** Singaporean I **Year of birth:** 1960

Edmund Koh has been President UBS Asia Pacific since 2019. He is a financial sector veteran, with more than 30 years in senior roles in financial services, including as Head Wealth Management Asia Pacific, Country Head Singapore and Head Wealth Management South East Asia and Asia Pacific Hub for UBS. Before working for DBS Bank in Singapore, Mr. Koh was CEO for Prudential Assurance and Alverdine Pte Ltd, both companies based in Singapore. He joined UBS from Taiwan-based Ta Chong Bank, where he served as President and Director.

### Professional experience

| | |
|---|---|
| 2019 – date | President UBS Asia Pacific at UBS Group AG and UBS AG |
| 2016 – 2018 | Head Wealth Management Asia Pacific, UBS |
| 2012 – 2018 | Country Head Singapore, UBS |
| 2012 – 2015 | Head Wealth Management South East Asia and Asia Pacific Hub, UBS |
| 2008 – 2012 | President and Director, Ta Chong Bank, Taiwan |
| 2001 – 2008 | Managing Director and Regional Head, Consumer Banking Group, DBS Bank, Singapore |

### Education
– Bachelor's degree, psychology, University of Toronto

### Non-listed company boards
– Member of the Board of Trustees of the Wealth Management Institute, Singapore
– Member of the Board of Next50 Limited, Singapore
– Member of the Board of Medico Suites (S) Pte Ltd

### Other activities and functions
– Member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy
– Member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore
– Council member of the Asian Bureau of Finance and Economic Research
– Council member of the KidSTART program of the Early Childhood Development Agency, Singapore (until 31 January 2022)
– Trustee of the Cultural Matching Fund, Singapore
– Member of University of Toronto's International Leadership Council for Asia

## Barbara Levi

**Group General Counsel, member of the GEB since 2021**

**Nationality:** Italian I **Year of birth:** 1971

Barbara Levi has been Group General Counsel since November 2021. A qualified attorney-at-law, she has been admitted to the Supreme Court of the United States, the New York State bar and the bar of Milan, Italy, and has worked in several law firms in New York and Milan. Ms. Levi began her corporate career with Novartis Group in 2004 and worked there for 16 years, holding a number of senior legal roles across Europe. Before joining UBS, she served as Chief Legal Officer & External Affairs at Rio Tinto Group and, before that, as General Counsel. In both roles, she was a member of that company's executive committee.

### Professional experience

| | |
|---|---|
| Nov. 2021 – date | Group General Counsel for UBS Group AG and UBS AG |
| 2021 | Chief Legal Officer & External Affairs, Rio Tinto Group |
| 2020 – 2021 | Group General Counsel, Rio Tinto Group |
| 2019 | Group Legal Head, M&A and Strategic Transactions, Novartis |
| 2016 – 2019 | Global General Counsel, Sandoz International GmbH, Novartis |
| 2014 – 2016 | Global Legal Head, Product Strategy & Commercialization, Novartis |
| 2013 – 2014 | Global Legal Head, TechOps, Primary Care and Established Medicines, Novartis |
| 2009 – 2013 | Head of Legal & Compliance, Region Asia-Pacific, Middle East, and African Countries, Region Group Emerging Markets, Novartis |

### Education
– Master's degree, law, University of Milan
– LL.M., banking, corporate and finance law, Fordham University School of Law, New York

### Other activities and functions
– Member of the Employers' Board of the Global Institute for Women's Leadership, King's College London
– Member of the Board of Directors of the European General Counsel Association

## Tom Naratil

**Co-President Global Wealth Management and President UBS Americas, member of the GEB since 2011 (UBS Group AG: 2014, UBS AG: 2011)**

**Nationality:** American (US) | **Year of birth:** 1961

Tom Naratil has been Co-President Global Wealth Management since 2018, which he leads with Iqbal Khan. He also is CEO of UBS Americas Holding LLC. He started his career in finance in 1983, when he joined the brokerage firm Paine Webber Jackson & Curtis, and is an experienced veteran in the banking sector. UBS acquired Paine Webber in 2000; since then, Mr. Naratil has held various senior management positions at UBS Group, including CFO and COO. He served as President Wealth Management Americas from 2016 and was also appointed President UBS Americas at UBS Group AG and UBS AG in 2016.

**Professional experience**

| | |
|---|---|
| 2018 – date | Co-President Global Wealth Management, UBS Group AG and UBS AG |
| 2016 – date | President UBS Americas, UBS Group AG and UBS AG |
| 2016 – date | CEO of UBS Americas Holding LLC |
| 2016 – 2018 | President Wealth Management Americas, UBS |
| 2015 – 2016 | President of the Executive Board, UBS Business Solutions AG |
| 2014 – 2015 | Group COO, UBS |
| 2011 – 2015 | Group CFO, UBS |
| 2009 – 2011 | CFO and Chief Risk Officer, Wealth Management Americas, UBS |
| 1983 – 2009 | Various positions at PaineWebber and UBS |

**Education**
- Bachelor's degree, history, Yale University
- MBA, economics, New York University

**Other activities and functions**
- Member of the Board of UBS Americas Holding LLC
- Member of the Board of the American Swiss Foundation

## Markus Ronner

**Group Chief Compliance and Governance Officer, member of the GEB since 2018**

**Nationality:** Swiss | **Year of birth:** 1965

Markus Ronner has been Group Chief Compliance and Governance Officer since 2018. He has been with UBS for 40 years and held various positions across the firm, including manager of the Group-wide too-big-to-fail program, COO Wealth Management & Swiss Bank, Head Products and Services of Wealth Management & Swiss Bank, COO Asset Management, and Head Group Internal Audit. In his current position, he is responsible at the Group level for compliance and operational risk control, governmental and regulatory affairs, as well as investigations and governance matters.

**Professional experience**

| | |
|---|---|
| 2018 – date | Group Chief Compliance and Governance Officer, UBS Group AG and UBS AG |
| 2012 – 2018 | Head Group Regulatory and Governance, UBS |
| 2011 – 2013 | Manager Group-wide too-big-to-fail program, UBS |
| 2010 – 2011 | COO Wealth Management & Swiss Bank, UBS |
| 2009 – 2010 | Head Products and Services of Wealth Management & Swiss Bank, UBS |
| 2007 – 2009 | COO Asset Management, UBS |
| 2001 – 2007 | Head Group Internal Audit, UBS |

**Education**
- Swiss Banking Diploma

**Other activities and functions**

None

# Change of control and defense measures

Our Articles of Association do not provide any measures for delaying, deferring or preventing a change of control.

## Duty to make an offer

Pursuant to the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015, an investor who has acquired (whether directly, indirectly or in concert with third parties) more than 33⅓% of all voting rights of a company listed in Switzerland, whether such rights are exercisable or not, is required to submit a takeover offer for all listed shares outstanding. We have not elected to change or opt out of this rule.

## Clauses on change of control

Neither the full-time contract with the Chairman of the BoD nor any employment contracts with GEB members or employees holding key functions within the company contain change of control clauses.

All employment contracts with GEB members stipulate a notice period of six months. During the notice period, GEB members are entitled to their salaries and the continuation of existing employment benefits and may be eligible to be considered for a discretionary performance award based on their contribution during their tenure.

In case of a change of control, we may, at our discretion, accelerate the vesting of and / or relax applicable forfeiture provisions of employees' awards.

› **Refer to the "Compensation" section of this report on page 228 for more information**

# Auditors

Audit is an integral part of corporate governance. While safeguarding their independence, the external auditors closely coordinate their work with Group Internal Audit (GIA). The Audit Committee and, ultimately, the BoD supervise the effectiveness of audit work.

› **Refer to "Board of Directors" in this section for more information about the Audit Committee**

## External independent auditors

The AGM in 2021 re-elected Ernst & Young Ltd (EY) as auditors for the Group for a one-year term of office. EY assumes virtually all auditing functions according to laws, regulatory requests and the AoA. Bob Jacob is the EY lead partner in charge of the overall coordination of the UBS Group financial and regulatory audits and the co-signing partner of the financial audit. In 2020, Maurice McCormick became the lead audit partner for the financial statement audit and has an incumbency limit of five years. In 2021, Hannes Smit became the Lead Auditor to the Swiss Financial Market Supervisory Authority (FINMA) with an incumbency limit of seven years. Daniel Martin has been the co-signing partner for the FINMA audit since 2019, with an incumbency limit of seven years.

During 2021, the Audit Committee held 13 meetings with the external auditors.

### Review of UBS Group AG and UBS AG audit engagement

EU rules require UBS Europe SE to rotate its external auditor in the financial year 2024. In connection with this required change, and in consideration of governance best practices, the Board of Directors considered whether it would propose to shareholders a rotation of the Group auditor concurrent with the change at UBS Europe SE. Under the direction of the Audit Committee, UBS conducted a formal review of the Group audit engagement including soliciting proposals from potential auditors. Based on the results of this assessment, the Board of Directors has decided to retain Ernst & Young as the Group's external auditor.

### Audit effectiveness assessment

The Audit Committee assesses the performance, effectiveness and independence of the external auditors on an annual basis. The assessment is generally based on interviews with senior management and survey feedback from stakeholders across the Group. Assessment criteria include quality of service delivery, quality and competence of the audit team, value added as part of the audit, insightfulness, and the overall relationship with EY. Based on its own analysis and the assessment results, including feedback received as part of the review of the Group audit engagement described above, the Audit Committee concluded that EY's audit has been effective.

### Fees paid to external independent auditors

UBS Group AG and its subsidiaries (including UBS AG) paid the following fees (including expenses) to their external independent auditors.

| | For the year ended | |
|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 |
| **Audit** | | |
| Global audit fees | 53 | 53 |
| Additional services classified as audit (services required by law or statute, including work of a non-recurring nature mandated by regulators) | 8 | 10 |
| Total audit[1] | 61 | 64 |
| **Non-audit** | | |
| Audit-related fees | 9 | 8 |
| *of which: assurance and attestation services* | *4* | *3* |
| *of which: control and performance reports* | *5* | *5* |
| *of which: consultation concerning financial accounting and reporting standards* | *0* | *0* |
| Tax fees | 1 | 1 |
| All other fees | 0 | 0 |
| Total non-audit[1] | 10 | 9 |

1 Total audit and non-audit fees amounted to USD 72 million for UBS Group AG consolidated as of 31 December 2021 (31 December 2020: USD 73 million), of which USD 43 million related to UBS AG consolidated (31 December 2020: USD 46 million).

### Special auditors for potential capital increases

At the AGM on 8 April 2021, BDO AG was reappointed as special auditors for a three-year term of office. Special auditors provide audit opinions in connection with potential capital increases independently from other auditors.

### Services performed and fees

The Audit Committee oversees all services provided to UBS by the external auditors. For services requiring the approval from the Audit Committee, a preapproval may be granted either for a specific mandate or in the form of a blanket preapproval authorizing a limited and well-defined type and scope of services.

The fees (including expenses) paid to EY are set forth in the table on the previous page. In addition, EY received USD 34.1 million in 2021 (USD 32.7 million in 2020) for services performed on behalf of our investment funds, many of which have independent fund boards or trustees.

Audit work includes all services necessary to perform the audit for the Group in accordance with applicable laws and generally accepted auditing standards, as well as other assurance services that conventionally only the auditor can provide. These include statutory and regulatory audits, attestation services and the review of documents to be filed with regulatory bodies. The additional services classified as audit in 2021 included several engagements for which EY was mandated at the request of FINMA.

Audit-related work consists of assurance and related services traditionally performed by auditors, such as attestation services related to financial reporting, internal control reviews and performance standard reviews, as well as consultation concerning financial accounting and reporting standards.

Tax work involves services performed by professional staff in EY's tax division and includes tax compliance and tax consultation with respect to our own affairs.

"Other" services are permitted services, which include technical IT security control reviews and assessments.

## Group Internal Audit

GIA performs the internal auditing role for the Group. It is an independent function that provides expertise and insights to confirm controls are functioning correctly and highlight where UBS needs to better manage current and emerging risks. In 2021, it operated with an average headcount of 586 full-time equivalent employees.

GIA supports the BoD in discharging its governance responsibilities by taking a dynamic approach to audit, issue assurance and risk assessment, calling attention to key risks in order to drive action to prevent unexpected loss or damage to the firm's reputation. To support the achievement of UBS's objectives, GIA independently, objectively and systematically assesses the:

(i) soundness of the Group's risk and control culture;

(ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and

(iii) design, operating effectiveness and sustainability of:
  - processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
  - governance processes;
  - risk management, including whether risks are appropriately identified and managed;
  - internal controls, specifically whether they are commensurate with the risks taken;
  - remediation activities; and
  - processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

Audit reports that include significant issues are provided to the Group CEO, relevant GEB members and other responsible management. The Chairman, the Audit Committee and the Risk Committee of the BoD are regularly informed of such issues.

In addition, GIA provides independent assurance on the effective and sustainable remediation of control deficiencies within its mandate, taking a prudent and conservative risk-based approach and assessing at the issue level whether the root cause and the potential exposure for the firm have been holistically and sustainably addressed. GIA also cooperates closely with risk control functions and internal and external legal advisors on investigations into major control issues.

To ensure GIA's independence from management, the Head GIA reports to the Chairman of the BoD and to the Audit Committee, which assesses annually whether GIA has sufficient resources to perform its function, as well as its independence and performance. In the Audit Committee's assessment, GIA is sufficiently resourced to fulfill its mandate and complete its auditing objectives. GIA's role, position, responsibilities and accountability are set out in our Organization Regulations and the Charter for GIA, available at *ubs.com/governance*. The Charter also applies to UBS AG's internal audit function. GIA has unrestricted access to all accounts, books, records, systems, property and personnel, and must be provided with all information and data that it needs to fulfill its auditing responsibilities. GIA also conducts special audits at the request of the Audit Committee, or other BoD members, committees or the Group CEO in consultation with the Audit Committee.

GIA enhances the efficiency of its work through coordination and close cooperation with the external auditors.

# Information policy

We provide regular information to our shareholders and to the wider financial community.

### Financial reports for UBS Group AG are expected to be published on the following dates:

| | |
|---|---|
| First quarter 2022 | 26 April 2022 |
| Second quarter 2022 | 26 July 2022 |
| Third quarter 2022 | 25 October 2022 |

### The annual general meetings of the shareholders of UBS Group AG will take place on the following dates:

| | |
|---|---|
| 2022 | 6 April 2022 |
| 2023 | 5 April 2023 |

› **Refer to the corporate calendar at *ubs.com/investors* for future financial report publication and other key dates, including UBS AG's financial report publication dates**

We meet with institutional investors worldwide throughout the year and regularly hold results presentations, attend and present at investor conferences, and, from time to time, host investor days. When appropriate, investor meetings are hosted by senior management and are attended by members of our Investor Relations team. We use various technologies, such as webcasting, audio links and cross-location videoconferencing, to widen our audience and maintain contact with shareholders globally.

We make our publications available to all shareholders simultaneously to provide them with equal access to our financial information.

All our financial publications are available at *ubs.com/investors*. Shareholders may opt to receive a printed copy of our annual report. Additionally, they may also access our digital annual review at *ubs.com/annualreview*, which reflects on specific initiatives and achievements of the Group and provides an overview of the Group's activities during the year, as well as key financial information.

› **Refer to *ubs.com/investors* for a complete set of published reporting documents and a selection of senior management industry conference presentations**
› **Refer to the "Information sources" section on page 585 of this report for more information**
› **Refer to "Corporate information" and "Contacts" on page 6 of this report for more information**

### Financial disclosure principles

We fully support transparency, and consistent and informative disclosure. We aim to communicate our strategy and results in a manner that enables stakeholders to gain a good understanding of how our Group operates, what our growth prospects are, and the risks that our businesses and our strategy entail. We assess feedback from analysts and investors on a regular basis and, where appropriate, reflect this in our disclosures. To continue achieving these goals, we apply the following principles in our financial reporting and disclosure:

– transparency that enhances the understanding of economic drivers and builds trust and credibility;
– consistency within each reporting period and between reporting periods;
– simplicity that allows readers to gain a good understanding of the performance of our businesses;
– relevance, by focusing not only on what is required by regulation or statute but also on what is relevant to our stakeholders; and
– best practice that leads to improved standards.

We regard the continuous improvement of our disclosures as an ongoing commitment.

### Financial reporting policies

We report our Group's results for each financial quarter, including a breakdown of results by business division and disclosures or key developments relating to risk management and control, capital, liquidity and funding management. Each quarter, we publish quarterly financial reports for UBS Group AG, on the same day as the earnings releases.

The consolidated financial statements of UBS Group AG and UBS AG are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

› **Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section on page 292 of this report for more information about the basis of accounting**

We are committed to maintaining the transparency of our reported results and to allowing analysts and investors to make meaningful comparisons with prior periods. If there is a major reorganization of our business divisions or if changes to accounting standards or interpretations lead to a material change in the Group's reported results, our results are restated for previous periods as required by applicable accounting standards. These restatements show how our results would have been reported on the new basis and provide clear explanations of all relevant changes.

#### US disclosure requirements

As a foreign private issuer, we must file reports and other information, including certain financial reports, with the US Securities and Exchange Commission (the SEC) under the US federal securities laws. We file an annual report on Form 20-F and furnish our quarterly financial reports and other material information under cover of Form 6-K to the SEC. These reports are available at *ubs.com/investors* and on the SEC's website, *sec.gov*.

An evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a–15e) under the US Securities Exchange Act of 1934 has been carried out, under the supervision of management, including the Group CEO, the Group CFO and the Group Controller and Chief Accounting Officer. Based on that evaluation, the Group CEO and the Group CFO concluded that our disclosure controls and procedures were effective as of 31 December 2021. No significant changes have been made to our internal controls or to other factors that could significantly affect these controls subsequent to the date of their evaluation.

› **Refer to the "Consolidated financial statements" section on page 274 of this report for more information**

# Compensation

# Compensation

Julie G. Richardson
Chairperson of the
Compensation Committee
of the Board of Directors

## Dear Shareholders,

The Board of Directors (the BoD) and I wish to thank you for your support once again at last year's Annual General Meeting (the AGM) and for sharing your views on our compensation practices over the past year. As the Chairperson of the Compensation Committee, I am pleased to present our Compensation Report for 2021.

The arrival of our new CEO in late 2020 and the launch of our purpose in early 2021 resulted in a review of our Total Reward Principles and compensation framework to ensure that they are fully aligned with our purpose and strategic imperatives. Throughout 2021, the BoD Compensation Committee also continued to oversee that reward reflects performance, that risk-taking is appropriate and that employee interests are aligned with those of our stakeholders. Following these reviews, we applied selected enhancements to our principles while keeping our overall compensation framework broadly unchanged, as we concluded that it still remains well suited to support us in achieving our ambitions for the Group and that it provides strong alignment with shareholders' interests. Nevertheless, we have updated our Group-wide performance management approach, including evolving our Group Executive Board (GEB) performance review to reflect our strategic refresh, digital initiatives and elevated focus on sustainability. The restructured approach fosters an even greater focus on GEB priorities and the success of the overall Group by assessing all GEB members against Group financial targets.

### Strategy execution

We made significant progress in delivering on our strategic vision and putting clients at the center of all we do. The benefits of delivering our ecosystem to clients in a seamless way as One UBS are visible in our financial performance for 2021.

Our clients continued to put their trust in us, as was evident from the ongoing momentum in flows and volume growth throughout the year. Together with favorable market conditions and investor sentiment, this led to growth across the firm. Our business momentum, our focus on fueling growth and disciplined execution led to strong financial results.

Sustainability is core to our purpose and ecosystem; to help us maximize our impact and direct capital to where it is needed most, we are focusing on three key areas to drive the sustainability transition: Planet, People and Partnerships. As a result, our sustainability focus and impact investing assets grew 78% in 2021 and amounted to USD 251 billion. Furthermore, UBS was again named as a member of the Dow Jones Sustainability Index and we are proud to be recognized once again for our industry leadership in the Environmental dimension.

› **Refer to "Financial and operating performance" in our Annual Report 2021 for further details about our Group and business division performance**

**Alignment to purpose**

- Our purpose articulates why we do what we do, and why it matters. Our culture impacts how we do things, and it is firmly grounded in our three keys to success: our Pillars, Principles and Behaviors. We refreshed our three keys to success in 2021 to reflect our purpose, client promise and strategic imperatives, and to help ensure that our culture advances our strategic goals.
- For the past decade, those keys have defined how we work together and what we stand for, as a firm and as individuals. They continue to drive daily business decisions and are integrated into our people management processes, including hiring, performance management, compensation, promotion, talent development, training, and succession planning.
- Following the launch of the purpose, we reviewed our **Total Reward Principles, performance management approach, and compensation framework** to ensure they are fully aligned with our purpose and strategic imperatives. While we made modest adjustments, no fundamental changes were made to our compensation framework for 2021 as a result of our review.
- Fair and effective people management processes are key for our long-term success. Our **global performance management approach** underwent a comprehensive review in 2021 as part of our broader strategic refresh. Consequently, we made changes to our year-end review, objective-setting and employee feedback processes that aim to support our strategic priorities, to reinforce our high performance culture and to be simpler and more transparent. Additionally, our GEB performance review process includes more tangible measurement on quantitative outcomes and a greater focus on strategy, digitalization and sustainability matters.

**Find out more:** ***ubs.com/global/en/our-firm/our-purpose***

## Financial performance

In 2021, the ongoing momentum in flows and volume growth together with favorable market conditions and investor sentiment led to growth across the firm. Our financial results outperformed our financial targets and we saw the highest profit before tax since 2006. This growth outpaces our performance award pool development. We also maintained our high level of return on CET1 capital.

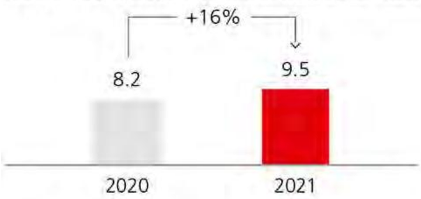
## Commitment to return capital to shareholders

We remain committed to returning excess capital to our shareholders. We repurchased USD 2.6 billion of shares in 2021 and we intend to repurchase up to USD 5 billion during 2022. For 2021, the BoD intends to propose a dividend of USD 0.50 per share for approval at the Annual General Meeting of shareholders in 2022.

**Group profit before tax**

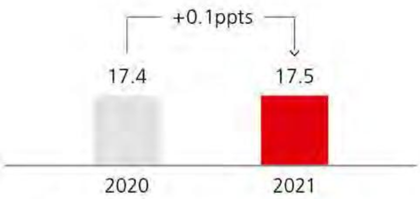
*USD billion*

+25% excluding provision for French cross-border matter



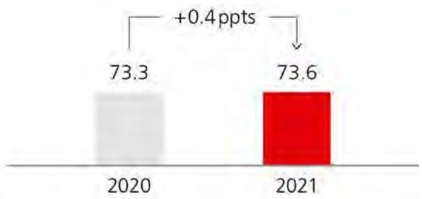

**Return on CET1 capital**

*in %*



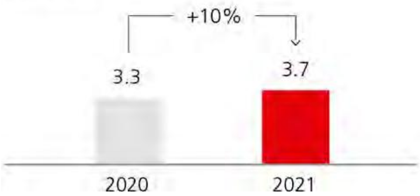

**Cost / income ratio**

*in %*



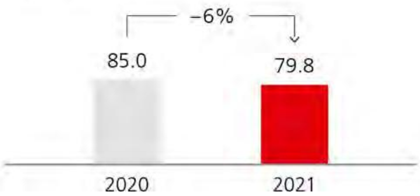

**Group performance award pool**

*USD billion*



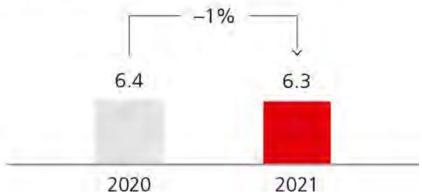

**GEB performance award pool**

*CHF million*




**Per capita GEB performance award pool**

*CHF million*




## 2021 performance award pool

The performance award pool continues to reflect our strict pay-for-performance philosophy, our disciplined approach in managing compensation over business cycles and alignment to shareholder interests.

The 2021 performance award pool was USD 3.7 billion, an increase of 10% compared with 2020. It factors in the strong financial performance, as well as the financial and reputational impact resulting from the loss related to the default of a US-based client of our prime brokerage business. The seriousness of this event led to a significant downward revision of the Group performance award pool. As a reminder regarding the French cross-border matter, in 2019 we reflected this matter in our compensation decisions, including linking a meaningful portion of GEB compensation (as well as the Chairman's compensation) to the final outcome of this matter which is still not resolved.

Furthermore, our performance award pool decision also reflected our achievements relative to non-financial objectives, such as our good progress toward delivering on our sustainability strategy, as well as the positive total shareholder return (TSR) of UBS shares. It also reflected other factors, such as the growing competition to attract and retain a talented and diverse workforce that continues to deliver on our purpose and strategy.

For 2021, the GEB performance award pool was CHF 79.8 million, a reduction of 1% on a per capita basis and a reduction of 6% overall. This decrease in an otherwise exceptionally good financial year contrasts with the Group pool increase of 10%. The decision for the GEB pool considers the excellent financial result offset by a proportionally larger downward adjustment than the Group pool to reflect the accountability of the GEB for the loss resulting from the default of a US-based client of our prime brokerage business.

› **Refer to the "2021 key compensation themes" section of this report for more information about the compensation impact resulting from the significant loss event, the French cross-border matter, environmental, social and governance (ESG) achievements, and other key compensation themes**

› **Refer to the "Group compensation" section of this report for more information**

## 2022 Annual General Meeting

At the 2022 AGM on 6 April, we will seek your support on the following compensation-related items:
- the maximum aggregate amount of compensation for the BoD for the period from the 2022 AGM to the 2023 AGM;
- the maximum aggregate amount of fixed compensation for the GEB for 2023;
- the aggregate amount of variable compensation for the GEB for 2021; and
- shareholder endorsement in an advisory vote for this Compensation Report.

On behalf of the Compensation Committee and the BoD, I thank you again for your feedback and we respectfully ask for your continued support at the upcoming AGM.

Julie G. Richardson
Chairperson of the Compensation Committee of the Board of Directors

# 2021 key compensation themes

The feedback we seek from our shareholders on compensation-related topics is very important to us, as we are committed to maintaining a strong link between the interests of our employees and those of our shareholders. We continued engaging with shareholders during 2021 and received overall positive feedback about our compensation framework.

The text below summarizes key compensation themes for 2021 and provides answers to the questions we most frequently receive from shareholders.

**Summary of 2021 key compensation themes / responses to frequently asked questions**

**How was the loss resulting from the default of a US-based client of our prime brokerage business reflected in the compensation process?**
Despite our excellent financial performance in 2021, our reputation and financial results were negatively impacted by a significant USD 861 million pre-tax loss that we incurred in the first half of 2021 related to the default of a US-based client of our prime brokerage business.

We conducted a thorough review of the event and its root causes, and took decisive actions reflecting the significance of the event and its impact on our shareholders and reputation. The outcomes of the review and the actions taken by management were reviewed by the Joint Risk and Compensation Committees, as well as other internal governance bodies, as appropriate.

The 2021 Group performance award pool was reduced significantly as a consequence of this event. Our funding approach for the performance award pool resulted in a direct and substantial reduction, which was supplemented by an additional and significant negative adjustment to the pool. Overall, compensation was reduced by an amount equivalent to over half of the post-tax loss. This reduction had a direct impact on compensation for business and control functions, as well as for the Group Executive Board (the GEB).

The GEB performance award pool had a proportionally larger downward adjustment than the Group pool, to reflect the accountability of the GEB for the event. The GEB per-capita performance pool decreased in an otherwise exceptionally good financial year.

On an individual level, we conducted a detailed accountability review of employees involved in the event. The fact-finding for the review was supported by external legal counsel, as well as our internal investigation functions. The accountability review covered 30 employees, including relevant individuals in the GEB. The outcomes of the review impacted performance reviews and compensation decisions substantially, where appropriate.

**How do the refreshed financial targets announced in February 2022 impact compensation?**
The compensation decisions for 2021 reflect the achievements relative to the 2021 objectives that were set in early 2021 and consider the previous externally communicated targets. Similarly, we have set objectives for 2022 that consider the refreshed targets as communicated in February 2022.

In addition, for our Long-Term Incentive Plan (LTIP) awards for 2021 performance, we have reviewed the three-year average return on common equity tier 1 (RoCET1) performance metric to reflect our strategic return ambitions, our revised financial targets and cost of capital.

Specifically, for our awards granted in early 2022 for 2021 performance, the required performance threshold for the minimum payout has been raised to 8%, from 6% in prior-year awards, to reflect our new financial targets. The required RoCET1 performance for a maximum payout is set at 18%, which represents the upper end of our target range. The raised threshold also increases the mid-point of the payout thresholds to better reflect our cost of capital. The linear payout design between threshold and maximum level supports our growth ambitions and our focus on delivering sustainable performance without encouraging excessive risk-taking.

**How does UBS support diversity and pay fairness?**
Ensuring fair treatment and strengthening our commitment to diversity, equity and inclusion (DE&I) are vital to our sustainable business success. We find diverse teams better understand and relate to the needs of our equally diverse clients. Through the diversity of our employees' backgrounds and experiences, we drive innovation and better decision making.

Gender diversity is a key priority for the firm. We are particularly focused on increasing the representation of women at senior management levels. We take a multi-pronged approach in this respect, analyzing and adapting various factors that support the hiring, development and retention of women at all levels.

Increasing the ethnic minority diversity of our workforce, and a related commitment to support underrepresented talent and communities, is also a top priority across all business divisions and regions. We focus on four areas: accountability and transparency; investing in our talent; improving our culture; and leveraging our business strengths in underrepresented communities.

Compensating employees fairly and consistently is key to ensuring equal opportunities. We pay for performance, and we take pay equity seriously. A strong commitment to both is embedded in our compensation policies, and we regularly conduct both internal reviews and independent external audits as quality checks. Additionally, these reviews also allow us to maintain our certification status from the EQUAL-SALARY Foundation for our equal pay practices in Switzerland, the US, the UK, Hong Kong SAR and Singapore.

**How is litigation considered in the compensation process?**
Litigation and regulatory matters, and their resolution and remediation, are taken into consideration throughout the compensation decision-making process. The Compensation Committee distinguishes between current matters, where the underlying issues are within the responsibility of management, and legacy matters, where management is accountable for resolving them but not responsible for the underlying issue.

Current matters have a direct impact on the performance award pool, individual performance assessments and resulting compensation decisions, as well as the payout of deferred awards.

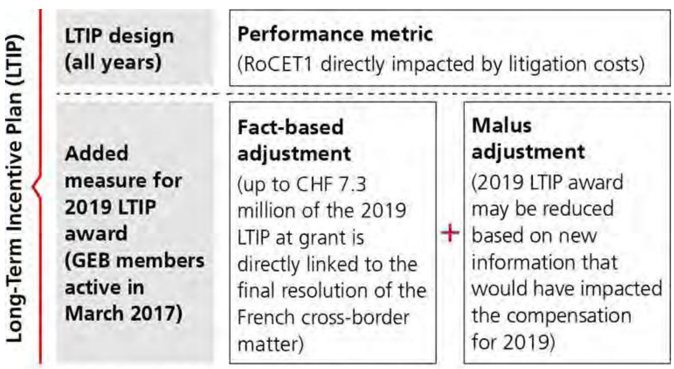
For legacy matters, the Compensation Committee seeks to incentivize management to resolve these matters in the best interest of shareholders and we hold management accountable for the effective and efficient resolution of these matters. Therefore, the performance and compensation assessment reflects management's responsibility for achieving a resolution without creating an incentive to settle inappropriately or take excessive risks on such matters. In addition, the use of RoCET1, which includes both current and legacy matters, in our performance assessment for GEB performance, as well as the LTIP design, supports the focus on ensuring the cost of litigation matters has in our compensation plans a direct impact on the compensation awarded to and realized by our most senior leaders, including the GEB.

**What progress has been made on resolving the French cross-border matter and how is this reflected in GEB compensation?**
In December 2021, UBS filed an appeal with the French Supreme Court regarding the decision of the Court of Appeal relating to the French cross-border matter. This matter remains ongoing and was considered in the decision-making process for our 2021 performance award pool.

The use of the RoCET1 metric aims to ensure the cost of litigation matters, including the French cross-border matter, has an ongoing and direct impact on the compensation awarded and realized by our most senior leaders, including the GEB. Additionally, when determining the 2019 performance award pool, the impact of the French cross-border matter was considered in our decision making.

Furthermore, as outlined in our 2019 Compensation Report, up to CHF 7.9 million, or 30%, of the 2019 LTIP awards at grant for GEB members active in March 2017, as well as the Chairman of the BoD's unvested share award, continues to be at risk and directly linked to the final resolution of the French cross-border matter. In addition, a malus clause allows the Compensation Committee to assess any new information that becomes available in the future and to retrospectively reduce the 2019 LTIP award by up to the full amount if such new information would have impacted our compensation decision in 2019. This matter continues to be ongoing and, once resolved, the final outcome will be reflected in the final amounts delivered to relevant current and former employees.

**Impact of litigation matters on the LTIP**




(As disclosed in the Compensation Report 2019.)

**How is ESG considered in the compensation process?**
ESG objectives are considered in the compensation determination process in objective setting, performance award pool funding, performance evaluation and compensation decisions.

ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. In 2021, we revised the Group CEO and GEB scorecards and further enhanced the link between ESG and compensation by introducing explicit sustainability objectives under "Strategic & Growth" in the non-financial goal category. These sustainability objectives are linked to our priorities, and their progress is measured via robust quantitative metrics and qualitative criteria. Sustainability objectives are individually assessed for each GEB member, and consequently directly impact their performance assessments and compensation decisions.

In addition, in the performance award pool funding across the Group, ESG is also reflected through an assessment of progress made toward targets linked to our focus areas of Planet, People (including progress made toward our diversity ambitions) and Partnerships, alongside other key dimensions.

Therefore ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved but also how they were achieved.

For 2021, we established robust and concrete targets, and made good progress toward achieving them. We continue to increase our focus on this topic.

› **Refer to "Environmental, Social and Governance considerations" in the "Compensation philosophy and governance" section of this report for more information**

**How does UBS promote and support the health and well-being of employees?**
Supporting employee health and well-being remained a priority in 2021. We are committed to helping employees thrive in their current roles and deliver sustainable performance over time. Regular "pulse" surveys gauged employees' views on remote work, stress, communication and other aspects. Resources to support holistic well-being featured a bespoke eLearning curriculum, physical and mental health initiatives, volunteering opportunities, increased certain local benefits offerings, and financial education events.

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

**How does UBS respond to the increasing competition for talent?**
We continue to see increasing competition for talent. These pressures come from our direct competitors but also other organizations including technology, consulting and new entrants or disruptors, such as fintech firms. As a recognized employer of choice, we continue to broaden and deepen our talent pools through ongoing talent development and continued investment in our employees. We take careful consideration to reflect pay for performance and competitive pay in our decision making. Furthermore, as our compensation approach includes substantial deferral, we balance incentivizing performance with retention in order to promote a sustainable workforce.

# Say-on-pay

## Say-on-pay votes at the AGM

In line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we seek binding shareholder approval for the aggregate compensation awarded to the GEB and the BoD. Prospective approval of the fixed compensation of the BoD and GEB provides the firm and its governing bodies with the certainty needed to operate effectively. Retrospective approval of the GEB's variable compensation aligns their compensation with performance and contribution.

These binding votes on compensation and the advisory vote on our compensation report reflect our commitment to shareholders having their say on pay.

› **Refer to "Provisions of the Articles of Association related to compensation" in the "Supplemental information" section of this report for more information**

Audited |

## Approved fixed compensation

At the 2020 AGM, shareholders approved a maximum aggregate fixed compensation amount of CHF 33.0 million for GEB members for the 2021 performance year. This budget reflects base salaries, role-based allowances in response to EU Capital Requirements Directive IV, and estimated standard contributions to retirement benefit plans, as well as other benefits.

Our expenses related to fixed compensation for our continuing GEB members were within the budget; however, the amount of fixed compensation related to the hiring of Barbara Levi as new Group General Counsel resulted in exceeding this budget. Therefore, as authorized by article 46 para. 5 of our Articles of Association, an amount of CHF 2.2 million was used to pay the portion of her fixed compensation (including replacement awards) that exceeded the approved amount. ▲

› **Refer to "2021 total compensation for the GEB members" in the "Compensation for GEB members" section of this report**

### Say on pay – compensation-related votes at the 2021 AGM

| 2021 AGM say-on-pay voting schemes | 2021 AGM actual shareholder votes | Vote "for" |
|---|---|---|
| **Binding vote on GEB variable compensation** | Shareholders approved CHF 85,000,000 for the 2020 financial year[1,2,3] | 84.8% |
| **Binding vote on GEB fixed compensation** | Shareholders approved CHF 33,000,000 for the 2022 financial year[1,2,3] | 91.8% |
| **Binding vote on BoD compensation** | Shareholders approved CHF 13,000,000 for the period from the 2021 AGM to the 2022 AGM[1,2,4] | 91.1% |
| **Advisory vote on the Compensation Report** | Shareholders approved the UBS Group AG Compensation Report 2020 in an advisory vote | 85.7% |

1 Local currencies are converted into Swiss francs at the exchange rates stated in "Note 33 Currency translation rates" in the "Consolidated financial statements" section of our Annual Report 2021. 2 Excludes the portion related to the legally required employer's social security contributions. 3 As stated in "Group Executive Board" in the "Corporate governance" section of our Annual Report 2021, twelve GEB members were in office on 31 December 2021 and thirteen GEB members on 31 December 2020. 4 Twelve BoD members were in office on 31 December 2021.

## Compensation-related proposals for 2022

At the 2022 AGM, we will ask our shareholders to vote on the variable compensation for the GEB for 2021, the fixed compensation for the GEB for 2023 and the compensation for the BoD from the 2022 AGM to the 2023 AGM.

In addition, we will also ask shareholders for an advisory vote on our Compensation Report, which describes our compensation policy, including framework and governance.

The table below outlines our compensation proposals, including supporting rationales, that we plan to submit to the 2022 AGM for binding votes (in line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations and our Articles of Association (AoA)).

### Compensation-related proposals for binding votes at the 2022 AGM

| Item | Proposal | Rationale |
|---|---|---|
| **GEB variable compensation** | The Board of Directors proposes an aggregate amount of variable compensation of CHF 79,750,000 for the members of the GEB for the 2021 financial year. | The proposed amount reflects a reduction of 1% on a per capita basis and a reduction of 6% overall compared with the previous year. This decrease in an otherwise exceptionally good financial year contrasts with the Group pool increase of 10%. The decision for the GEB pool considers the excellent financial result offset by a proportionally larger downward adjustment than the Group pool to reflect the accountability of the GEB for the loss resulting from the default of a US-based client of our prime brokerage business. |
| **GEB fixed compensation** | The Board of Directors proposes a maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the GEB for the 2023 financial year. | The proposed amount is unchanged from the previous year, reflecting consistency in planning over time and unchanged base salaries for the Group CEO and other GEB members. In addition to the base salaries, it also includes role-based allowances in response to EU Capital Requirements Directive IV, estimated standard contributions to retirement benefit plans, and other benefits. The proposed amount provides flexibility in light of potential changes of GEB composition or roles, competitive considerations where potential additional role-based allowances may be required, and other factors (e.g., changes in FX rates or benefits). |
| **BoD compensation** | The Board of Directors proposes a maximum aggregate amount of compensation of CHF 13,000,000 for the members of the Board of Directors for the period from the 2022 AGM to the 2023 AGM. | The proposed amount is unchanged compared with the previous period and includes the total compensation of the nominated Chairman and Vice Chairman. For the new Chairman we expect his total compensation would be approximately CHF 0.4 million lower compared with the current Chairman (a reduction of approximately 8%). The fees for BoD members other than the nominated Chairman and Vice Chairman are unchanged. |

# Compensation philosophy and governance

## Our compensation philosophy

### Total Reward Principles

Our Total Reward Principles provide a strong link to our strategic imperatives and encourage employees to live our strong and inclusive culture that is grounded in our three keys to success: our Pillars, Principles and Behaviors.

These guiding principles underpin our approach to compensation and define our compensation framework. In 2021, following the launch of our purpose, we reviewed our Total Reward Principles and compensation framework to confirm they are fully aligned with our purpose and support our strategic imperatives.

This ensures that the interests of our employees are aligned with those of our clients and other stakeholders.

Therefore, our compensation approach supports our capital strength and risk management, and provides for simplification and efficiency. It encourages employees to focus on client centricity, connectivity and sustainable impact in everything we do. Moreover, we reward behaviors that help build and protect the firm's reputation, specifically accountability with integrity, collaboration and innovation. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which we operate.

**Total Reward Principles**

Our Total Reward Principles apply to all employees globally, but vary in certain locations according to local legal requirements and regulations and practices. The table below provides a summary of our Total Reward Principles.

| | |
|---|---|
| **Support our purpose and strategy** | Our compensation approach supports the firm's purpose and strategy, fosters engagement among employees and aligns their long-term interests with those of clients and stakeholders. |
| **Attract, retain and connect a diverse, talented workforce** | We embrace a culture of diversity, equity, and inclusiveness. Pay at UBS is fair, reflects equal treatment and is competitive. In this way, our investment in a connected workforce supports the sustainability of the organization. |
| **Apply a pay-for-performance approach to support development and our ways of working** | The setting of clear objectives and a thorough evaluation of what was achieved and how it was achieved, combined with effective communication, promote clarity, accountability and establish a strong link between pay and performance. This approach emphasizes our Behaviors, which are accountability with integrity, collaboration and innovation. |
| **Reinforce sustainable growth and support long-term value creation** | Compensation is appropriately balanced between fixed and variable elements and delivered over an appropriate period to support our growth ambitions and sustainable performance. |
| **Support risk awareness and appropriate risk-taking** | Our compensation structure encourages employees to have a focus on risk management and behave consistently with the firm's risk framework and appetite, thereby anticipating and managing risks effectively to protect our capital and reputation. |

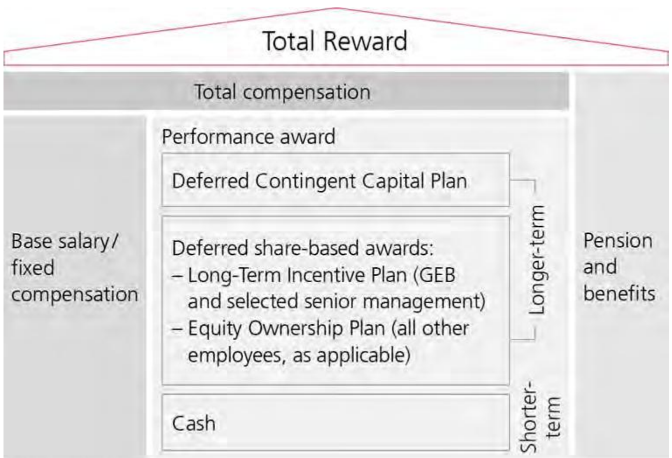
### Our Total Reward approach

At UBS, we apply a holistic Total Reward approach, generally consisting of fixed compensation (base salary and role-based allowances, if applicable), performance awards, pension contributions and benefits. Our Total Reward approach is structured to support sustainable results and growth ambitions.

For employees whose total compensation exceeds certain levels, performance awards are delivered in a combination of cash, deferred contingent capital awards and deferred share-based awards.

A substantial portion of performance awards is deferred and vests over a five-year period (or longer for certain regulated employees). This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.

› **Refer to "Compensation elements for all employees" in the "Group compensation" section of this report for more information**




Note: illustrative

# Compensation governance

## Board of Directors and Compensation Committee

The BoD is ultimately responsible for approving the compensation strategy and principles proposed by the Compensation Committee, which determines compensation-related matters in line with the principles set forth in the AoA.

As determined in the AoA and the firm's Organization Regulations, the Compensation Committee supports the BoD with its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive compensation. The Compensation Committee consists of independent BoD members, who are elected annually by shareholders at the AGM, and is responsible for governance and oversight of our compensation process and practices. This includes the alignment between pay and performance, and ensuring that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking. In 2021, to additionally support the connection between the Compensation Committee and the Risk Committee, the Compensation Committee Chairperson was also a member of the Risk Committee.

Annually, and on behalf of the BoD, the Compensation Committee:
- reviews our Total Reward Principles;
- approves key features of the compensation framework and plans for the non-independent Board members and GEB members;
- reviews performance award funding throughout the year and proposes, upon proposal of the Group CEO, the final annual Group performance award pool for BoD approval;
- upon proposal of the Group CEO, reviews the performance framework of the other GEB members;
- upon proposal of the Group CEO, proposes the performance assessments and the individual total compensation for the other GEB members for approval by the BoD;
- upon proposal of the Chairman, proposes financial and non-financial performance targets and objectives for the Group CEO and the Group CEO's performance assessment for approval by the Board;
- approves the total compensation for the Chairman and the non-independent Board members;
- proposes, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the Board;
- proposes to the BoD the maximum aggregate amounts of BoD compensation and GEB fixed compensation and the aggregate amount of variable compensation for the GEB for approval by the general meeting of the shareholders;
- upon proposal of the Chairman, proposes the remuneration / fee framework for independent Board members for approval by the Board;
- upon proposal of the Chairman and Group CEO, approves the remuneration / fee frameworks for external supervisory board members of Significant Group Entities and be informed of remuneration / fee frameworks for external supervisory board members of Significant Regional Entities; and
- proposes to the BoD for approval the annual compensation report and approves other material public disclosures on UBS compensation matters.

The Compensation Committee is required to meet at least four times each year. All meetings in 2021 were held in the presence of the Chairman and the Group CEO and most were attended by external advisors. Individuals, including the Chairman and the Group CEO, are not permitted to attend a meeting or participate in a discussion on their own performance and compensation.

After the meetings, the Chairperson of the Compensation Committee reports to the BoD on the Compensation Committee's activities and discussions and, if necessary, submits proposals for approval by the full BoD. Compensation Committee meeting minutes are also sent to all members of the BoD.

On 31 December 2021, the members of the Compensation Committee were Julie G. Richardson (Chairperson), Reto Francioni, Dieter Wemmer and Jeanette Wong.

› **Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2021 for more information**

## External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2021, HCM International Ltd. (HCM) provided independent advice on compensation matters. HCM holds no other mandates with UBS. Additionally, Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels. Various subsidiaries of Willis Towers Watson provide similar information to Human Resources in relation to compensation for employees. Willis Towers Watson holds no other compensation-related mandates with UBS.

## The Risk Committee's role in compensation

The Risk Committee, a committee of the BoD, works closely with the Compensation Committee to ensure that our compensation framework appropriately reflects risk awareness and management, and ensures appropriate risk-taking. It supervises and sets appropriate risk management and risk control principles and is regularly briefed on how risk is factored into the compensation process. It also monitors the involvement of Group Risk Control and Compliance and Operational Risk in compensation and reviews risk-related aspects of the compensation process.

› **Refer to *ubs.com/governance* for more information**

## Compensation Committee 2021 / 2022 key activities and timeline

| | May | June | July | Sept | Oct | Nov[1] | Dec[1] | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|
| Strategy, policy and governance | | | | | | | | | |
| Total Reward Principles | | | | ● | | | | | |
| Sustainability / ESG in the compensation process | | | ● | ● | | | | ● | |
| Compensation disclosure and stakeholder communication matters | | | ● | ● | | | ● | ● | ● |
| AGM reward-related items | | ● | | | | | | ● | |
| Compensation Committee governance | | | | | | | | | ● |
| Annual compensation review | | | | | | | | | |
| Accruals and full-year forecast of the performance award pool funding | | ● | ● | | ● | ● | ● | ● | |
| Performance targets and performance assessment of the Group CEO and GEB members | ● | | | | | | ● | ● | |
| Group CEO and GEB members' salaries and individual performance awards | | | | | | ● | ● | ● | |
| Update on market practice, trends and peer group matters | | ● | ● | | | ● | | | |
| Pay for performance, including governance on certain higher-paid employees, and non-standard compensation arrangements | ● | ● | ● | ● | ● | | | ● | ● |
| Board of Directors remuneration | | | | | | ● | | ● | |
| Compensation framework | | | | | | | | | |
| Compensation framework and deferred compensation matters | | | | ● | | ● | ● | ● | ● |
| Risk and regulatory | | | | | | | | | |
| Risk management in the compensation approach and joint meeting with BoD Risk Committee | | | ● | ● | | ● | ● | ● | |
| Regulatory activities impacting employees and engagement with regulators | | ● | ● | ● | ● | ● | ● | ● | ● |

1 The Compensation Committee held two meetings in November 2021 and three meetings in December 2021.

## Compensation governance

The table below provides an overview of compensation governance by specific role.

| Recipients | Compensation recommendations proposed by | Approved by |
|---|---|---|
| **Chairman of the BoD** | Chairperson of the Compensation Committee | Compensation Committee[1] |
| **Independent BoD members (remuneration / fee framework)** | Compensation Committee and Chairman of the BoD | BoD[1] |
| **Group CEO** | Compensation Committee and Chairman of the BoD | BoD[1] |
| **Other GEB members** | Compensation Committee and Group CEO | BoD[1] |
| **Key Risk Takers (KRTs) / senior employees** | Respective GEB member and functional management team | Individual compensation for KRTs and senior employees: Group CEO |

1 Aggregate variable compensation and maximum aggregate amount of fixed compensation for the GEB, as well as aggregate remuneration for the BoD, are subject to shareholder approval.

# Environmental, Social and Governance considerations

## ESG in the compensation determination process

ESG objectives are considered in the compensation determination process in objective setting, performance award pool funding, performance evaluation and compensation decisions.

ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. In 2021, we revised the Group CEO and GEB scorecards and further enhanced the link between ESG and compensation by introducing explicit sustainability objectives under "Strategic & Growth" in the non-financial goal category. These sustainability objectives are linked to our priorities, and their progress is measured via robust quantitative metrics and qualitative criteria. The table below provides an overview of our metrics and progress achieved in 2021. Sustainability objectives are individually assessed for each GEB member, and consequently directly impact their performance assessments and compensation decisions.

In addition, in the performance award pool funding across the Group, ESG is also reflected through an assessment of progress made against targets linked to our focus areas of Planet, People (including progress made against our diversity ambitions) and Partnerships, alongside other key dimensions. Therefore ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved but also how they were achieved.

For 2021, we established robust and concrete targets, and made good progress toward achieving them. We continue to increase our focus on this topic.

› **Refer to "GEB performance assessments" in the "Compensation for GEB members" section of this report for more information about the GEB performance measurement process**

› **Refer to "Our focus on sustainability and climate," "Employees" and "Society" in the "How we create value for our stakeholders" section of our Annual Report 2021 for more information**

› **Refer to *ubs.com/gri* for more information about ESG-related topics**

## Fair pay and pay for performance

Compensating employees fairly and consistently is key to ensuring equal opportunities. We pay for performance, and we take pay equity seriously. A strong commitment to both is embedded in our compensation policies, and we conduct both internal reviews and independent external audits as quality checks. If we uncover gaps that cannot be explained by business factors or appropriate personal factors – such as experience, role, responsibility, performance or location – we explore the root causes of those gaps and address them.

Additionally, our regular monitoring and review processes also allow us to maintain our certification status with the EQUAL-SALARY Foundation for our equal pay practices in Switzerland, the US, the UK, Hong Kong SAR and Singapore. The firm also successfully completed an equal pay analysis in Switzerland in 2020, as required by the Swiss Federal Act on Gender Equality. The results of the analysis confirmed that we are fully compliant with Swiss equal pay standards. These holistic certifications are a testament to our well-established equal opportunity environment and the strength of our human resources practices, including performance and reward. In 2021, we continued to monitor pay fairness and addressed any unexplained gaps to ensure that all employees are paid fairly.

## Our targets and progress

| Our priorities | Our targets | Our progress in 2021 |
|---|---|---|
| **Planet, people, partnerships** | USD 400 billion invested assets in sustainable investments by 2025. | Increased invested assets in sustainable investments to USD 251 billion (compared with USD 141 billion in 2020). |
| **Planet** | Set decarbonization targets for 2030 for financing of the fossil fuels, power generation and real estate sectors (from 2020 levels):<br>– reduce absolute financed emissions associated with UBS loans to fossil fuel companies by 71%;<br>– reduce emissions intensity associated with UBS loans to power generation companies by 49%;<br>– reduce emissions intensity of UBS's commercial real estate lending portfolio by 44%; and<br>– reduce emissions intensity of UBS's residential real estate lending portfolio by 42%. | Estimated baselines and development of net-zero-aligned pathways for the fossil fuel, power generation and real estate (commercial and residential) sectors. |
| | Align USD 235 billion of invested assets to net zero by 2030 (Asset Management). | Established Asset Management baseline covering the weighted average carbon intensity of the respective benchmark for each strategy and fund included in our target. |
| | Achieve net-zero emissions across discretionary client portfolios by 2050. | Expanded discretionary offering with climate transition-focused solutions and built more detailed carbon footprint data into our research and reporting toolkits. |
| | Achieve net-zero energy emissions resulting from our own operations (scope 1 and 2) by 2025; cut energy consumption by 15% by 2025 (compared with 2020). | Reduced net greenhouse gas footprint for scope 1 and 2 emissions by 75% and energy consumption by 5% (compared with 2020); continued implementation of the replacement of fossil fuel heating systems and investing in credible carbon removal projects; maintained 100% renewable electricity coverage. |
| | Offset historical emissions back to the year 2000 by sourcing carbon offsets (by end 2021) and by offsetting credit delivery and full retirement in registry (by end 2025). | Completed the sourcing process for a portfolio of transparent carbon offsets from the voluntary carbon market across a range of project types and geographies. |
| | Engage with key vendors on targeting net zero by 2035. | Commenced working on understanding and quantifying the scope 3 emissions in our supply chain. |
| **People** | 30% global female representation at Director level and above by 2025. | Increased to 26.7% (2020: 26.0%) female representation at Director level and above. |
| | 26% US ethnic minority representation at Director level and above by 2025. | Increased to 20.1% (2020: 19.5%) ethnic minority representation at Director level and above in the US. |
| | 26% UK ethnic minority representation at Director level and above by 2025. | Increased to 21.3% (2020: 20.7%) ethnic minority representation at Director level and above in the UK. |
| | Raise USD 1 billion in donations to our client philanthropy foundations and funds and reach 25 million beneficiaries by 2025 (cumulative for years 2021-2025). | Achieved UBS Optimus Foundation donations volume of USD 161 million (including UBS matching contributions) and reached 4.6 million beneficiaries. |
| | Support one million beneficiaries through our community impact activities by 2025 (cumulative for years 2020-2024). | Reached 1.199 million beneficiaries through strategic community impact activities cumulatively during 2020 and 2021, surpassing our 2025 target in two years. |
| **Partnerships** | Establish UBS as a leading facilitator of discussion, debate and idea generation. | Launched the UBS Sustainability and Impact Institute, with the objective of delivering original, best-in-class sustainability and impact thought leadership. |
| | Drive standards, research and development, and product development through partnerships across the financial ecosystem. | Continued implementation of the Principles for Responsible Banking by expanding the scope of our impact analyses and improving upon our existing methodologies in partnership with the UN Environment Program and peers. |

› **Refer to the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for more information**

## Our commitment to diversity, equity and inclusion

Ensuring fair treatment and strengthening our commitment to DE&I are vital to our sustainable business success. We find diverse teams better understand and relate to the needs of our equally diverse clients. Through the diversity of our employees' backgrounds and experiences, we drive innovation and better decision making. Our aim, therefore, is to shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients and offers equitable opportunities so that every employee can thrive.

UBS is a strong supporter of the UN Standards of Conduct for Business anti-discrimination guidelines. Additionally, we are signatories to the UN-backed Women's Empowerment Principles, the UK's Women in Finance Charter and Race at Work Charter, and the Corporate Call to Action in the US. Philosophically, we take a broad approach to DE&I, focusing on a range of aspects, including inclusive leadership, age, gender, race and ethnicity, LGBTQ+, disability, and veterans. Building inclusive leadership skills, increasing gender and ethnic diversity, and equitable policies and practices were our leading priorities in 2021.

Gender diversity is a key priority for the firm. We are particularly focused on increasing the representation of women at senior management levels. We take a multi-pronged approach in this respect, analyzing and adapting various factors that support the hiring, development and retention of women at all levels. For example, our interviews for open roles are expected to include qualified diverse candidates, and our interview questions seek to gauge inclusive leadership competencies for executive roles.

To ensure we are making progress, we hold ourselves and our leaders accountable. For example, in early 2020 we publicly stated our aspiration to have 30% of all Director and above roles held by women by 2025. At the end of 2021, that figure stood at 26.7%, up from 26.0% in 2020. As of 31 December 2021, 25% of GEB members were female and we expect to increase this ratio to 33% in early 2022 after the designated Group Chief Financial Officer joins the firm. In addition, 27% of senior managers who reported directly to the Group Executive Board (the GEB) in 2021 were female. These aspirations are considered in the determination of the annual performance award pool and are included in the explicit sustainability objectives under "Strategic & Growth" for the GEB, as outlined in the table on the previous page.

Increasing the ethnic minority diversity of our workforce, and a related commitment to support underrepresented talent and communities, is also a top priority across all business divisions and regions. We focus on four areas: accountability and transparency; investing in our talent; improving our culture; and leveraging our business strengths in underrepresented communities.

We take a country-by-country approach, in close collaboration with relevant business and jurisdictional entities. This is because legislation, legal requirements and progress toward racial and ethnic equality vary significantly across the locations in which we do business. In the short term, the largest share of our efforts is focused on Switzerland, the US and the UK. In Switzerland, we began collecting ethnicity data on a voluntary basis in 2021, aimed at understanding the current representation within our local workforce. Our 2025 aspiration is to achieve a 26% representation of ethnic minorities at Director level and above in the UK and the US. As of the end of 2021, our representation was 20.1% in the US and 21.3% in the UK.

Our employee networks are strong partners in our ethnic diversity strategy. Throughout 2021, our ethnicity-focused MOSAIC networks globally facilitated numerous events for staff in every region to increase awareness and personal accountability along with specialized educational sessions for network members. In addition, a community of more than 480 Diversity and Inclusion Ambassadors acts as a resource for employee advice and coaching on conversations about various diversity and inclusion-related topics.

We are committed to ensuring a workplace where employees are fairly treated, with equitable employment and advancement opportunities for all. We do not tolerate harassment of any kind, including sexual harassment, and we take measures to prevent all forms of harassment, bullying, victimization and retaliation. Our policies, procedures, employee and line manager education, and awareness materials all encourage employees to raise concerns, which they may do openly or anonymously. An internal anti-harassment officer appointed by the Group Head Human Resources provides an independent view of the firm's various processes and procedures to prevent harassment and sexual misconduct.

› **Refer to *ubs.com/diversity* for additional information about our priorities, commitments and progress, and the Sustainability Report 2021, available from 11 March 2022 under "Annual reporting" at *ubs.com/investors*, for our management practices and detailed employee data, including gender- and region-specific data**

› **Refer to "Employees" in the "How we create value for our stakeholders" section of our Annual Report 2021 for more information.**

# Performance award pool funding

Our compensation philosophy focuses on balancing performance with appropriate risk-taking, retaining talented employees and shareholder returns. Our overall performance award pool funding percentage reduces as financial performance increases. In years of strong financial performance, this prevents excessive compensation and results in an increased proportion of profit before performance awards being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool funding framework is based on Group and business division performance, including achievements against defined performance measures. In assessing performance, we also consider industry peers, market competitiveness of our results and pay position, as well as progress against our strategic objectives, including returns, risk-weighted assets and cost efficiency. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. We further consider the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives including significant events.

The funding for Group Functions is linked to overall Group performance and reflects headcount, workforce location and demographics. For each functional area quantitative and qualitative assessments evaluate service quality, risk management and financial achievements. Our decisions also balance consideration of financial performance with a range of factors, including DE&I and other ESG metrics, the impact of litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns, and relative total shareholder return.

Before making its final proposal to the BoD, the Compensation Committee considers the CEO's proposals and can apply a positive or negative adjustment to the performance award pool. For example, despite our excellent financial results in 2021, our reputation and financial results were negatively impacted by a loss related to the default of a US-based client of our prime brokerage business. As a consequence, the 2021 Group performance award pool was reduced significantly. Our funding approach for the performance award pool resulted in a direct and substantial reduction, which was supplemented by a significant negative adjustment to the pool.

Taking into consideration the above proposals and factors, over the past nine years the Compensation Committee has approved adjustments to the performance award pool, resulting in downward adjustments in all but one year.

› **Refer to "2021 Group performance outcomes" in the "Group compensation" section of this report**

› **Refer to the "Group performance" section of our Annual Report 2021 for more information about our results**

### Performance award pool funding process – illustrative overview


| | | |
|---|---|---|
| 1 | **Business division financial performance** | The starting point for the funding process is the business division financial performance, which may be adjusted for items that are not reflective of the underlying business division performance. |
| 2 | **Risk-adjusted business division performance award pool** | Predetermined business division-specific funding rates are applied to risk-adjusted performance, which excludes items that are not reflective of the underlying business performance. |
| 3 | **Business division measures** | Each division is assessed based on specific measures (e.g., net new fee-generating assets, return on attributed equity). |
| | **Qualitative, risk, regulatory and sustainability assessment** | Decisions consider the firm's risk profile and the extent to which operational risks and audit issues have been identified and resolved. They also consider diversity, equity & inclusion and other ESG metrics, the impact of litigation and regulatory costs. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. |
| | **Relative performance versus peers** | Performance is assessed relative to our peers, including financial performance, returns and relative total shareholder return. |
| | **Market position and trends** | Market intelligence, based on external advisors, helps assess the competitiveness of our pay levels and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice. |
| 4 | **Recommended business division performance award pools** | The business division performance award pool determination process, based on quantitative and qualitative assessments, results in a proposal from the Group CEO (after consultation with the GEB) to the Compensation Committee for consideration. |
| 5 | **Final Group performance award pool** | The Compensation Committee considers the proposal in the context of the factors outlined above and verifies it is in line with our strategy and our Total Reward Principles to create sustainable shareholder value and support our growth ambitions. The Committee may alter the proposal of the Group CEO (upward or downward including proposing a zero award) before making its final proposal to the BoD. |

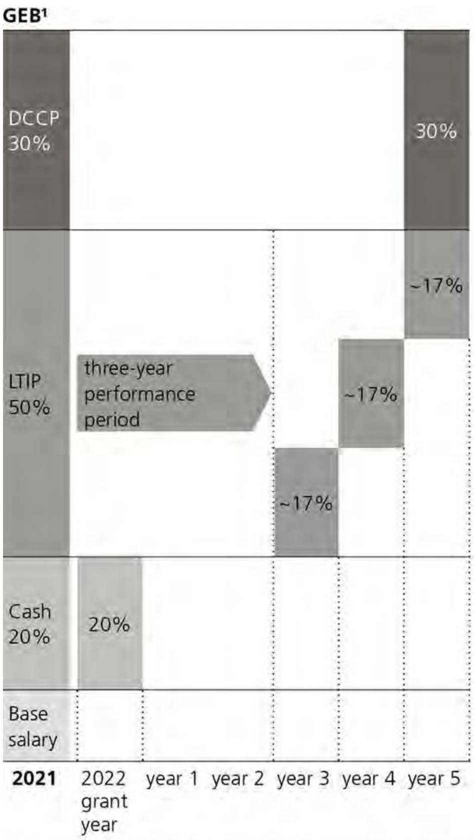
# Compensation for GEB members

## GEB compensation framework

In 2021, we made no changes to our GEB compensation framework. The chart below illustrates the compensation elements, pay mix and key features for GEB members. Of the annual performance award, 20% is paid in the form of cash and 80% is deferred over a period of five years[1], with 50% of the annual performance awards granted under the Long-Term Incentive Plan (the LTIP) and 30% under the Deferred Contingent Capital Plan (the DCCP).

› **Refer to "Our deferred compensation plans" in the "Group compensation" section of this report for more information**

**2021 compensation framework for GEB members (illustrative example)**




**Key features**

- Notional additional tier 1 (AT1) instruments
- Award vests in year 5 after grant year, subject to a write-down if a viability event occurs or the CET1 capital ratio falls below 10% (i.e., a trigger event)
- Award is subject to 20% forfeiture for each financial year that UBS does not achieve a Group profit before tax, adjusted for disclosed items generally not representative of underlying business performance
- Award is subject to employment conditions and harmful acts provisions

- Notional shares
- Award vests in equal installments in years 3, 4 and 5 after grant year, depending on the achievement of RoCET1 and rTSR measured over a three-year performance period
- Award is subject to employment conditions and harmful acts provisions

1 Performance awards to GEB members who are SMF/MRT are subject to additional deferral and vesting requirements.

› **Refer to the "Group Compensation" section of this report for more information**

› **Refer to "Regulated staff" in the "Supplemental information" section of this report for more information**

### Pay-for-performance safeguards for GEB members

| | |
|---|---|
| **Performance award caps** | – Cap on the total GEB performance award pool (2.5% of profit before tax)[1]<br>– Caps on individual performance awards (for the Group CEO capped at five times the fixed compensation and at seven times for the other GEB members)<br>– Cap of 20% of performance award in cash |
| **Delivery and deferral** | – 80% of performance awards are at risk of forfeiture<br>– Long-term deferral over five years (or longer for certain regulated GEB members)<br>– Alignment with shareholders (through the LTIP) and bondholders (through the DCCP)<br>– Final payout of equity-based LTIP award (50% of performance award) subject to absolute and relative performance conditions (three-year performance period) |
| **Contract terms** | – No severance terms<br>– Six-month notice period |
| **Other safeguards** | – Share ownership requirements<br>– No hedging allowed |

1 The Compensation Committee may consider adjustments to profit for items that are not reflective of underlying performance.

## GEB share ownership requirements

To align the interests of GEB members with those of our shareholders and to demonstrate personal commitment to the firm, we require the Group CEO and the other GEB members to hold a substantial number of UBS shares. GEB members must reach their minimum shareholding requirements within five years from their appointment and retain it throughout their tenure. The total number of UBS shares held by a GEB member consists of any vested or unvested shares and any privately held shares. GEB members may not sell any UBS shares before they reach the minimum ownership thresholds mentioned below. At the end of 2021, all GEB members met their share ownership requirements, except for those appointed within the last four years, who still have time to build up and meet the required share ownership.

As of 31 December 2021, our GEB members held shares with an aggregate value of approximately USD 191 million, demonstrating their commitment to our strategy and alignment with shareholders.

**Share ownership requirements**

| | | |
|---|---|---|
| Group CEO | min. 1,000,000 shares | Must be built up within five years from their appointment and retained throughout their tenure. |
| Other GEB members | min. 500,000 shares | |

## GEB base salary and role-based allowance

Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The 2021 annual base salary for the Group CEO role was CHF 2.5 million and has remained unchanged since 2011. The other GEB members each received a base salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011.

Over the course of 2021, two GEB members held a UK Senior Management Function (SMF) role for one of our UK entities. In addition to base salary, role-based allowances were part of their fixed compensation.

At the AGM, shareholders are asked to approve the maximum aggregate amount of fixed compensation for GEB members for the following financial year.

› **Refer to the "Supplemental information" section of this report for more information about MRTs and SMFs**
› **Refer to the "Say-on-pay" section of this report for more information about the AGM vote on fixed compensation for the GEB**

## Caps on the GEB performance award pool

The size of the GEB performance award pool may not exceed 2.5% of the Group profit before tax. This limits the overall GEB compensation based on the firm's profitability.

For 2021, the Group's profit before tax was USD 9.5 billion and the total GEB performance award pool was CHF 79.8 million. The GEB performance award pool as a percentage of Group profit before tax was 0.9%, well below the 2.5% cap.

In line with the individual compensation caps on the proportion of fixed pay to variable pay for all GEB members (introduced in 2013), the Group CEO's granted performance award is capped at five times his fixed compensation. Granted performance awards of other GEB members are capped at seven times their fixed compensation (or two times for GEB members who are also Material Risk Takers (MRTs)). For 2021, performance awards granted to GEB members and the Group CEO were, on average, 3.2 times their fixed compensation (excluding one-time replacement awards, benefits and contributions to retirement plans).

› **Refer to "Performance award pool funding" in the "Compensation philosophy and governance" section of this report for more information**

## GEB employment contracts and severance terms

GEB members' employment contracts do not include severance terms or supplementary pension plan contributions and are subject to a notice period of at least six months. A GEB member leaving UBS before the end of a performance year may be considered for a performance award. Such awards are subject to approval by the BoD, and ultimately by the shareholders at the AGM.

## Benchmarking for GEB members

When recommending performance awards for the Group CEO and the other GEB members, the Compensation Committee reviews the respective total compensation for each role against a financial industry peer group. The peer group is selected based on comparability of their size, business mix, geographic presence and the extent to which they compete with us for talent. The Compensation Committee considers our peers' strategies, practices and pay levels, as well as their regulatory environment; it also periodically reviews other firms' pay levels or practices, including both financial and non-financial sector peers as applicable. The total compensation for a GEB member's specific role considers the compensation paid by our peers for a comparable role and performance within the context of our organizational profile. The Compensation Committee periodically reviews and approves the peer group composition.

The table below presents the composition of our peer group as approved by the Compensation Committee for the 2021 performance year.

| | |
|---|---|
| Bank of America | Goldman Sachs |
| Barclays | HSBC |
| BlackRock | JPMorgan Chase |
| BNP Paribas | Julius Baer |
| Citigroup | Morgan Stanley |
| Credit Suisse | Standard Chartered |
| Deutsche Bank | State Street |

# GEB performance assessments

For 2021, we have further enhanced the performance assessment for GEB members to ensure it is fully aligned with the firm's new purpose and strategic objectives. We assess GEB members against a set of Group financial targets, non-financial objectives and Behaviors. Under the non-financial objectives we introduced the new categories of Core Job, which covers job-specific, risk and people objectives, as well as Strategic & Growth, which covers strategy, digital and ESG objectives. The restructured approach fosters an even greater focus on GEB priorities and the success of the Group overall among all GEB members, and strengthens the understanding and importance of interdependence within and across the GEB. At the same time, it creates stronger individual accountability, and further increases the focus on core activities.

The Compensation Committee exercises its judgment with respect to the performance achieved relative to the prior year, the strategic plan and competitors, and considers the Group CEO's proposals. The Compensation Committee's proposals are subject to approval by the BoD.

The Compensation Committee, and then the full BoD, follows a similar process for the Group CEO, except that the proposal comes from the Chairman of the BoD.

**Overview of the GEB compensation determination process**

The compensation for the Group CEO and the other GEB members is governed by a rigorous process under Compensation Committee and BoD oversight. The chart below shows how compensation for all GEB members is determined.

The Compensation Committee is involved at all stages of the performance and total compensation decision-making process for the Group CEO and the other GEB members, for review and approval by the BoD.

| | Objective setting | Performance assessment | Compensation determination |
|---|---|---|---|
| Decision-making process | Financial targets are based on Group performance measures.<br><br>Non-financial objectives are related to core job, strategic and growth.<br><br>Behaviors objectives are related to the three UBS Behaviors of accountability with integrity, collaboration and innovation.<br><br>Financial targets weight: 60%<br>Non-financial objectives weight: 30%<br>Behavior objectives weight: 10% | Financial results are assessed quantitatively based on full-year financial results versus predetermined targets and plan figures.<br><br>Non-financial objectives are assessed predominantly based on achievements relative to quantitative key performance indicators.<br><br>Behaviors objectives are assessed qualitatively.<br><br>The achievements of non-financial measures and Behaviors are determined in three performance categories, outlined on the next page. The total of all weighted achievement scores cannot exceed 100%. | When determining actual pay levels, the Compensation Committee factors in:<br>– financial performance;<br>– performance assessment;<br>– relative performance versus peers; and<br>– compensation market benchmarks and trends.<br><br>Final compensation decisions for GEB members consider the Group CEO's proposal (the Group CEO makes no proposal on his own awards). |
| Role of the Compensation Committee | Together with the BoD Chairman, proposes performance targets and objectives for the Group CEO for approval by the BoD.<br><br>Together with the Group CEO, reviews the performance framework for the other GEB members. | Together with the BoD Chairman, propose the Group CEO's performance assessment for approval by the BoD.<br><br>Together with the Group CEO, propose the performance assessments of the other GEB members for approval by the BoD. | Proposes to the BoD:<br>– together with the BoD Chairman, the total compensation for the Group CEO; and<br><br>– together with the Group CEO, the individual total compensation for the other GEB members.<br><br>The final decision on the aggregate amount is subject to shareholder approval. |

### Overview of performance assessment measures

We apply a range of quantitative measures to assess GEB member performance against financial and non-financial objectives while Behaviors are assessed qualitatively. The table below provides a summary of the main metrics and measures used for 2021.

| | | | |
|---|---|---|---|
| **Financial measures (60%)** | | | – Reported Group profit before tax<br>– Reported Group cost / income ratio<br>– Reported Return on CET1 capital |
| **Non-financial measures (30%)** | Core Job | Job-specific | – Business-specific criteria such as net new investable asset targets and client engagement-level objectives<br>– Operating income growth targets for specific client segments and total cost goals<br>– Post-stress CET1 objectives and Capital ratio guidance<br>– Execution progress on key client and internal initiatives; e.g., cross-divisional collaboration initiatives, efficiency and cost saving initiates |
| | | Risk | – Operating within risk appetite constraints<br>– Progress to deliver on risk reduction initiatives |
| | | People | – Employee listening / sentiment results and feedback<br>– Progress to meet 2025 ambitions for female representation and for ethnic minority representation in the US and UK at Director and above levels (as per ESG disclosure)<br>– People development, mobility, turnover and succession plan metrics |
| | Strategic & Growth | Strategy | – Progress on group-wide transformation initiatives<br>– Delivery on division / function-specific strategic programs and initiatives |
| | | Digital | – Progress on digital transformation initiatives<br>– Delivery of digital offering and user experience for clients |
| | | ESG | – Refer to the "Our targets and progress" table in the "Environmental, Social and Governance considerations" section of this report |
| **Behaviors (10%)** | Accountability with integrity | Qualitative assessment against expected Behaviors: | – Responsible for what they say and do<br>– Takes ownership and makes things happen<br>– Steps up and acts when something is not right |
| | Collaboration | | – Trusts others and helps them to be successful<br>– Delivers One UBS, together with their colleagues<br>– Fosters a diverse, inclusive and equitable work environment |
| | Innovation | | – Challenges perspectives and looks at every opportunity to improve<br>– Actively seeks and provides feedback<br>– Learns from every success and failure |

### Performance assessment categories

The table below presents the three performance categories for the assessment of the performance against non-financial objectives related to Core Job, Strategic & Growth and Behaviors. The achievement score represents the maximum percentage, and the Compensation Committee may apply downward adjustments.

| Non-financial measures | | |
|---|---|---|
| **Needs focus** | **Good contribution** | **Excellent contribution** |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

| Behaviors | | |
|---|---|---|
| **Needs focus** | **Expected behavior** | **Exemplary behavior** |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

# 2021 performance for the Group CEO

The performance award for the Group CEO is based on the achievement of financial performance targets and non-financial objectives related to his Core Job, Strategic & Growth initiatives and Behaviors, as described earlier in this section.

These objectives were set to reflect the strategic priorities determined by the Chairman and the BoD.

› **Refer to "GEB compensation framework" in this section of this report for more information**

## Performance assessment for the Group CEO

The BoD recognized that Ralph Hamers successfully focused on building on UBS's strong business momentum, which resulted in very strong financial results for 2021. He led the Group toward stronger client centricity and improved the delivery of the bank's ecosystem to clients. He also delivered a successful strategic refresh in 2021 and re-positioned the bank's sustainability efforts.

Mr. Hamers successfully led the development of the purpose statement, established the client promise, and strategic imperatives, including development of concrete transformation initiatives to position the firm for future growth. He was the most important ambassador for the firm's refreshed culture and behavior program.

Furthermore, Ralph Hamers continuously displayed high risk awareness and set a strong and consistent tone from the top to promote an effective risk culture. He also demonstrated strong leadership and accountability in dealing with the loss event resulting from the default of a US-based client of our prime brokerage business.

Additionally, the BoD recognized that Mr. Hamers personally championed the drive towards becoming more digital across the organization, along with his continuous push for technology as a differentiator for both clients and employees.

The BoD acknowledged that Mr. Hamers also championed key changes across the organization to further promote agile ways of working, simplification and empowerment. He continued to increase the Group's focus on delivering against diversity and ethnicity ambitions.

Mr. Hamers demonstrated strong leadership on ESG topics, including establishing a group-wide sustainability and impact organization. He drove the definition of a net-zero framework and focused the organization on delivering against select UN Sustainable Development goals, as well as establishing ambitions and making progress on key focus areas, including Planet, People and Partnerships.

The table below illustrates the assessment criteria used to evaluate the achievements of Mr. Hamers in 2021.

### Financial performance

| Weight | Performance measures | 2021 targets | 2021 results | Achievement[2] | Weighted assessment | 2021 commentary |
|---|---|---|---|---|---|---|
| 20% | **Reported Group Profit before Tax** | USD 6.9bn | USD 9.5bn | 100%[2] | 20% | – Profit before tax increased 16% to USD 9.5 billion, reflecting strong business momentum with income up in all regions and good cost control. This result **significantly exceeds the 2021 performance target and also represents the highest result since 2006.** |
| 20% | **Reported Cost / Income Ratio** | 75%[1] | 73.6% | 100%[2,3] | 20% | – The cost / income ratio was 73.6%, **better than the 2021 performance target**, despite the increase in litigation provisions of USD 740 million taken for the French cross-border matter. |
| 20% | **Reported Return on CET1 Capital** | 16%[1] | 17.5% | 100%[2] | 20% | – The return on CET1 capital (RoCET1) was 17.5%, compared with 17.4% in 2020, **exceeding the 2021 performance target**. |

1 The return on CET1 capital and cost / income ratio performance targets are set based on the previously communicated targets and reflect a stretch-target level relative to the Group return on CET1 capital target range of 12–15% and the cost / income ratio target range of 75–78% in the spirit of setting ambitious goals to reach a 100% performance achievement. 2 Achievement score capped at 100%. 3 For the assessment of the cost / income ratio, each 1% difference between actual and target affects the score by 10%.

### Performance assessment for the Group CEO (continued)

## Non-financial performance and Behaviors

| Weight | Performance measures | Achieve-ment | Weighted assess-ment | 2021 commentary |
|---|---|---|---|---|
| 30% | | Good contribution (66%) | 20% | – The evaluation of each non-financial objective considers **quantitative metrics** that are assessed against internal targets / plan: |
| | **Core Job** (Job specific, Risk, People) | | | **Core Job**<br>– Progressed on execution of **digital transformation** initiatives<br>– Delivered improved **digital offering** and **user experience for clients**<br>– Operated within **risk appetite** constraints<br>– Progressed on **risk reduction initiatives** and strengthened the **control framework**<br>– Improved **employee listening / sentiment results** across key categories<br>– Increased the **ratio of female leaders**, stayed on track to meet the 2025 target<br>– Stayed on track toward the 2025 ambition for ratios of US and UK **employees from ethnic minorities**<br>– Improved statistics on **employee mobility and turnover** |
| | **Strategic & Growth** (Strategy, Digital, ESG) | | | **Strategic & Growth**<br>– Developed and launched UBS's **purpose**<br>– Delivered the refreshed **strategy**<br>– Launched new client promise and strategic imperatives<br>– Refreshed the **Sustainability** strategy<br>– Progressed on the execution of key **growth initiatives**<br>– Refreshed culture and behavior program<br>– See **ESG** metrics and progress in separate table in this report |
| 10% | **Behaviors** (Accountability with integrity, Collaboration, Innovation) | Expected behavior (66%) | 7% | The assessment of the Behavior objectives is **qualitative** and has resulted in the following summary assessment:<br>– Mr. Hamers acted as a **role model** in accepting **ownership and accountability**. He further strengthened **collaboration** across the Group and at the same time pushed **individual accountability** and empowerment across the organization<br>– He drove **innovation** in UBS and built the foundation for a successful digitalization through **new ways of working**. He continuously promoted simplification, more radical challenge and innovative thinking and action |
| | | **Total weighted assessment (maximum 100%)** | **87%** | |

In addition to the overall 2021 performance of the Group and Mr. Hamers' achievements outlined in the performance evaluation table above, the BoD also considered other factors, such as the impact of the significant risk event related to a loss from a US-based client of our prime brokerage business.

The BoD approved the proposal by the Compensation Committee to grant Mr. Hamers a performance award of CHF 8.5 million, resulting in a total compensation for 2021 of CHF 11.0 million (excluding benefits and contributions to his retirement benefit plan).

Aligned with the GEB compensation framework, the Group CEO's performance award will be delivered 20% (CHF 1.7 million) in cash and the remaining 80% (CHF 6.8 million) subject to deferral and forfeiture provisions, as well as meeting performance conditions over the next five years.

# 2021 total compensation for the GEB members

The aggregate performance award pool for the GEB for 2021 was CHF 79.8 million (USD 87.1 million); on a per capita basis this reflects a decrease of 1% compared with 2020. This contrasts with the change in the overall performance award pool of the firm, which increased 10% compared with 2020. The GEB performance award pool had a proportionally larger downward adjustment than the Group pool, to reflect the accountability of the GEB for the significant risk event in the first half of 2021. The Group's profit before tax was USD 9.5 billion, up 16% compared with 2020.

The Compensation Committee has confirmed that performance conditions for all GEB members' awards due to vest in March 2022 have been satisfied and the awards will therefore vest in full.

At the 2022 AGM, shareholders will vote on the aggregate 2021 total variable compensation for the GEB in Swiss francs. The tables below provide the awarded compensation for the Group CEO and the GEB members in Swiss francs and, for reference, the total amounts in US dollars for comparability with financial performance. The individual variable performance awards for each GEB member will only be confirmed upon shareholder approval at the AGM

› **Refer to "Provisions of the Articles of Association related to compensation" in the "Supplemental Information" section of this report for more information**

Audited |

**Total compensation for GEB members**

| CHF, except where indicated | | | | | | | | | | USD (for reference)[1] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| For the year | Base salary | Contribution to retirement benefit plans | Benefits[2] | Total fixed compensation | Cash[3] | Performance award under LTIP[4] | Performance award under DCCP[5] | Total variable compensation | Total fixed and variable compensation[6] | Total fixed compensation | Total variable compensation | Total fixed and variable compensation[6] |
| **Highest Paid Executive (for 2021 Ralph A.J.G Hamers and for 2020 Sergio P. Ermotti)** | | | | | | | | | | | | |
| 2021 | 2,500,000 | 246,415 | 251,856 | 2,998,271 | 1,700,000 | 4,250,000 | 2,550,000 | 8,500,000 | 11,498,271 | 3,275,763 | 9,286,681 | 12,562,444 |
| 2020[7] | 2,500,000 | 244,353 | 78,891 | 2,823,244 | 2,100,000 | 5,250,000 | 3,150,000 | 10,500,000 | 13,323,244 | | | |
| **Group CEO Ralph A.J.G. Hamers (reflects compensation since joining UBS per 1 September 2020)** | | | | | | | | | | | | |
| 2020 | 833,333 | 62,124 | 314,260 | 1,209,717 | 600,000 | 1,500,000 | 900,000 | 3,000,000 | 4,209,717 | | | |
| **Aggregate of all GEB members[8,9,10,11,12]** | | | | | | | | | | | | |
| 2021 | 24,853,521 | 2,064,009 | 1,179,512 | 28,097,041 | 15,950,000 | 39,875,000 | 23,925,000 | 79,750,000 | 107,847,041 | 30,697,441 | 87,130,916 | 117,828,357 |
| 2020 | 27,469,369 | 2,249,276 | 1,145,489 | 30,864,135 | 16,625,062 | 42,874,938 | 25,500,000 | 85,000,000 | 115,864,135 | | | |

1 Swiss franc amounts have been translated into US dollars for reference at the 2021 performance award currency exchange rate of CHF / USD 1.092551. 2 All benefits are valued at market price. 3 For GEB members who are also MRTs or SMFs, the cash portion includes blocked shares. 4 LTIP awards for performance year 2021 were awarded at a value of 67.7% of maximum which reflects our best estimate of the fair value of the award. The maximum number of shares is determined by dividing the awarded amount by the estimated fair value of the award at grant, divided by CHF 19.194 or USD 20.700, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date. 5 The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. 6 Excludes the portion related to the legally required employer's social security contributions for 2021 and 2020, which are estimated at grant at CHF 4,997,243 and CHF 5,497,811, respectively, of which CHF 763,059 and CHF 880,496, respectively, are for the highest-paid GEB member. The legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate. 7 Reflects compensation for 12 months until the end of his GEB employment on 31 December 2020. 8 As stated in "Group Executive Board" in the "Corporate governance" section of our Annual Report 2021, twelve GEB members were in office on 31 December 2021 and thirteen GEB members on 31 December 2020. 9 Includes compensation paid under employment contracts during notice periods for GEB members who stepped down during the respective years. 10 Includes compensation for newly appointed GEB members for their time in office as GEB members during the respective years. 11 For 2021, Barbara Levi received a one-time replacement award of CHF 7,081,474. This replacement award is not included in the above table; including this, the 2021 total aggregate compensation of all GEB members is CHF 114,928,515. For 2020, Ralph A.J.G. Hamers received a one-time replacement award of CHF 163,399. This replacement award is not included in the above table; including this, the 2020 total aggregate compensation of all GEB members is CHF 116,027,534. 12 Base salary may include role-based allowances in line with market practice in response to regulatory requirements.

# Total realized compensation for the Group CEO

The realized compensation reflects the total amount paid out in the year. It includes the base salary, cash performance award payments, and all deferred performance awards vested in the year. As such, realized pay is the natural culmination of awards granted and approved by shareholders in previous years.

To illustrate the effect of our long-term deferral approach, which has been in place since 2012, we disclose the annual realized compensation of Mr. Hamers, including a comparison with his total awarded compensation.

**Total realized compensation vs awarded compensation for Ralph A.J.G Hamers[1]**

| *CHF* | | | | | | Realized | Awarded |
|---|---|---|---|---|---|---|---|
| For the year | Base salary | Cash award[2] | Deferred cash award[2] | Performance award under equity plans[2] | Performance award under DCCP[2] | Total realized fixed and variable compensation | Total awarded fixed and variable compensation[3,4] |
| 2021 | 2,500,000 | 600,000 | 0 | 0 | 0 | 3,100,000 | 11,000,000 |
| 2020[1] | 833,333 | 0 | 0 | 0 | 0 | 833,333 | 3,833,333 |

1 Includes compensation for 4 months as Ralph A.J.G. Hamers joined UBS on 1 September 2020. 2 Excludes dividend / interest payments. 3 Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Ralph A.J.G. Hamers but excludes the portion related to the legally required social security contributions paid by UBS. 4 Excludes the one-time replacement award.

# Group compensation

## Compensation elements for all employees

All elements of pay are considered when making our compensation decisions. We regularly review our principles and compensation framework in order to remain competitive and aligned with stakeholders. In 2021, we made no material changes to our overall framework. We will continue to review our approach to salaries and performance awards, considering market developments, our performance and our commitment to deliver sustainable returns to shareholders.

### Base salary and role-based allowance

Employees' fixed compensation (e.g., base salary) reflects their level of skill, role and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly, in line with local market practice. We offer competitive base salaries that reflect location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility.

In addition to base salary, and as part of fixed compensation, some employees may receive a role-based allowance. This allowance is a shift in the compensation mix between fixed and variable compensation, not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only if the employee is in a specific role. Similar to previous years, 2021 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

### Pensions and benefits

We offer certain benefits for all employees, such as health insurance and retirement benefits. These vary depending on the employee's location and are reviewed periodically for competitiveness. Pension contributions and pension plans also vary in accordance with local requirements and market practice. However, pension plan rules in any one location are generally the same for all employees, including management.

GEB members' pension contributions and benefits are in line with local practices for other employees. There are no enhanced or supplementary pension contributions for the GEB.

### Performance award

Most of our employees are eligible for an annual performance award. The level of this award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behavior, reflecting their overall contribution to the firm's results. These awards are in line with applicable local employment conditions and at the discretion of the firm.

In addition to the firm's Pillars and Principles, Behaviors related to accountability with integrity, collaboration and innovation are part of the performance management approach. Therefore, when assessing performance, we consider not only what was achieved but also how it was achieved.

## Our deferred compensation plans

To reinforce our emphasis on sustainable performance and risk management, and our focus on achieving growth ambitions, we deliver part of our employees' annual variable compensation through deferred compensation plans. We believe that our approach, with a single incentive decision and a mandatory deferral, is transparent and well suited to implementing our compensation philosophy and delivering sustainable performance. This aligns the interests of our employees and shareholders and appropriately links compensation to longer-term sustainable performance.

Our mandatory deferral approach applies to all employees with regulatory-driven deferral requirements or total compensation greater than USD / CHF 300,000. Certain regulated employees, such as Senior Management Functions (SMFs) and Material Risk Takers (MRTs), are subject to additional requirements (e.g., an additional non-financial conduct-related performance metric under the LTIP, more stringent deferral requirements, additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares, which are blocked for 12 months after grant.

The deferred amount increases at higher marginal rates in line with the value of the performance award. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation.

We believe our deferral regime has one of the longest vesting periods in the industry. The weighted average deferral period (for non-regulated employees) is 4.4 years for GEB members and ranges from 3.5 to 4 years for employees below GEB level. Additionally, from time to time, we may utilize alternative deferred compensation arrangements to remain competitive in specific business areas.

To further promote sustainable performance, all of our deferred compensation plans include employment conditions and malus conditions. These enable the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause.

Our share delivery obligations related to notional share awards are satisfied by delivering treasury shares, which are purchased in the market, to employees at vesting.

› **Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information**
› **Refer to the "Supplemental information" section of this report for more information about MRTs and SMFs**

**Variable compensation elements by employee category**

| | | Deferred compensation elements | | |
|---|---|---|---|---|
| **Employee category** | **Cash** | **LTIP** | **EOP** | **DCCP** |
| GEB and selected senior management | ✓ | ✓ | | ✓ |
| Asset Management senior management | ✓ | ✓ | ✓[1] | ✓ |
| Employees subject to mandatory deferral framework | ✓ | | ✓[1] | ✓ |

1 AM employees and selected AM senior staff in investment areas receive AM EOP (notional funds) instead of EOP (notional shares) in order to align their compensation more closely with industry standards. AM employees in non-investment areas receive both EOP and AM EOP in their plan mix.

## Long-Term Incentive Plan

The LTIP is a mandatory deferral plan for senior leaders of the Group (i.e., GEB members and selected senior management). For the 2021 performance year, we granted LTIP awards to 117 employees at a fair value of 67.7% of maximum. The value was calculated by an independent third party using a well-established valuation methodology.

The performance metrics of the share-based LTIP awards are average return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) over a three-year performance period starting on 1 January in the year of grant. Performance outcomes and actual payout levels will be disclosed at the end of the performance period.

The three-year average RoCET1 performance metric reflects our strategic return ambitions and considers our revised financial targets, as well as our cost of capital as outlined below:

- the required RoCET1 performance for a maximum payout is set at 18%, which represents the upper end of our target range;
- the required performance threshold for the minimum payout has been raised to 8% from 6% in prior-year awards to reflect our new financial targets communicated in February 2022, increasing the mid-point of the payout thresholds to better reflect our cost of capital; and
- the linear payout design between threshold and maximum level supports our growth ambitions and our focus on delivering sustainable performance without encouraging excessive risk-taking.

The rTSR performance metric over the three-year period further aligns the interests of employees with those of shareholders:

- the metric compares the total shareholder return (the TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks (G-SIBs) as determined by the Financial Stability Board (excluding UBS Group);
- the G-SIBs are independently defined and reflect companies with a comparable risk profile and impact on the global economy;
- the index, which includes publicly traded G-SIBs, is equal weighted, calculated in Swiss francs and maintained by an independent index provider, so as to ensure independence of the TSR calculation; and
- the payout interval of ±25 percentage points versus the index performance demonstrates our ambition of delivering attractive relative returns to shareholders. The linear payout and the threshold level set below index performance further support sustainability of results and prudent risk-taking.

**Global Systemically Important Banks (G-SIBs) that are listed companies[1]**

| | | |
|---|---|---|
| Agricultural Bank of China | Goldman Sachs | Santander |
| Bank of America | Groupe Crédit Agricole | Société Générale |
| Bank of China | HSBC | Standard Chartered |
| Bank of New York Mellon | ING Bank | State Street |
| Barclays | ICBC | Sumitomo Mitsui FG |
| BNP Paribas | JPMorgan Chase | Toronto-Dominion |
| China Construction Bank | Mitsubishi UFJ FG | UniCredit |
| Citigroup | Mizuho FG | Wells Fargo |
| Credit Suisse | Morgan Stanley | |
| Deutsche Bank | Royal Bank of Canada | |

1 As of November 2021. Excludes UBS Group.

Dividend equivalents (granted where applicable regulation permits) are subject to the same terms as the underlying LTIP award.

LTIP awards reflect the long-term focus of our compensation framework. The final number of shares as determined at the end of the three-year performance period will vest in three equal installments in each of the three years following the performance period for GEB members, and cliff vest in the first year following the performance period for selected senior management (longer deferral periods may apply for regulated employees).

### LTIP payout illustration

- The final number of notional shares vesting will vary based on the achievement versus the performance metrics.
- Linear payout between threshold and maximum performance.
- Vesting levels are a percentage of the maximum opportunity of the LTIP and cannot exceed 100%.
- Full forfeiture for performance below the predefined threshold levels.
- SMFs and UK MRTs are subject to an additional non-financial metric based on a conduct assessment with a potential downward adjustment of up to 100% of the entire award.

| Performance metric: **average RoCET1 (50% of award)** | | |
|---|---|---|
| Below threshold (<8%) | Threshold (8%) up to maximum (<18%) | Maximum and above (≥18%) |
| **Full forfeiture** (payout 0%) | **Partial vest** (payout between 33% and <100%) | **Full vest** (payout 100%) |

| Performance metric: **rTSR vs G-SIBs index (50% of award)** | | |
|---|---|---|
| Below threshold (<–25 pps) | Threshold (–25 pps) up to maximum (+25 pps) | Maximum and above (≥+25 pps) |
| **Full forfeiture** (payout 0%) | **Partial vest** (payout between 33% and <100%) | **Full vest** (payout 100%) |

## Equity Ownership Plan

The EOP is the deferred compensation plan for employees who are subject to deferral requirements but do not receive LTIP awards. For the 2021 performance year, we granted EOP awards to 4,228 employees.

Delivering sustainable performance is a key objective for UBS, and we therefore link EOP award vesting with minimum performance thresholds over a multi-year time horizon. Our EOP creates a direct link with shareholder returns as a notional equity award and have no upward leverage. This approach promotes growth and sustainable performance.

EOP awards generally vest over three years. For certain employee populations, EOP awards can be adjusted downwards, including to zero, based on the average RoCET1 over the applicable performance period. The Compensation Committee sets the minimum future performance threshold and may adjust the award if the performance metric does not reflect a fair measure of performance.

Asset Management employees receive some or all of their EOP in the form of notional funds to align their compensation more closely with industry standards. This plan is generally delivered in cash and vests over five years.

› **Refer to "Vesting of outstanding awards granted in prior years subject to performance conditions" in the "Supplemental information" section of this report for more information**

## Deferred Contingent Capital Plan

The DCCP is a key component of our compensation framework and supports alignment of the interests of our senior employees with those of our stakeholders.

All employees subject to deferral requirements receive DCCP awards. For the 2021 performance year, we granted DCCP awards to 4,303 employees.

DCCP replicates many of the features of the loss-absorbing bonds that we issue to investors and may be paid at vesting in cash or, at the discretion of the firm, a perpetual, marketable additional tier 1 (AT1) capital instrument. Employees can elect to have their DCCP awards denominated in Swiss francs or US dollars.

DCCP awards vest in full after five years (longer deferral periods may apply for regulated employees). DCCP awards bear notional interest paid annually (except as limited by regulation for MRTs), subject to review and confirmation by the Compensation Committee. The notional interest rate for grants in 2022 was 3.7% for awards denominated in Swiss francs and 5.7% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments issued by UBS Group.

Awards are forfeited if a viability event occurs, i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of an insolvency, bankruptcy or failure of UBS or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down for GEB members if the Group's CET1 capital ratio falls below 10% and for all other employees if it falls below 7%.

In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period. This means 100% of the award is subject to risk of forfeiture. The forfeiture features of DCCP create a strong alignment with our debt holders and support the sustainability of the firm.

Over the last five years, USD 1.7 billion of DCCP awards have been issued, contributing to the Group's total loss-absorbing capacity (TLAC). Therefore, DCCP awards not only support competitive pay but also provide a loss absorption buffer that protects the firm's capital position. The following table illustrates the contribution of the DCCP to our AT1 capital and the effect on our TLAC ratio.

› **Refer to the "Supplemental information" section of this report for more information about performance award and personnel-related expenses**

› **Refer to the "Supplemental information" section of this report for more information about longer vesting and clawback periods for MRTs and SMFs**

### Contribution of the Deferred Contingent Capital Plan to our loss-absorbing capacity[1]

| *USD million, except where indicated* | 31.12.21 | 31.12.20 |
|---|---|---|
| **Deferred Contingent Capital Plan (DCCP), eligible as high-trigger loss-absorbing additional tier 1 capital** | 1,730 | 1,875 |
| DCCP contribution to the total loss-absorbing capacity ratio (%) | 0.6 | 0.6 |

1 Refer to "Bondholder information" at ubs.com/investors for more information about the capital instruments of UBS Group AG and UBS AG both on a consolidated and a standalone basis.

## Replacement awards and forfeitures

In line with industry practice, our compensation framework and plans include provisions generally requiring reduction / forfeiture of a terminated employee's unvested or deferred awards. In particular, these provisions apply if the terminated employee joins another financial services organization and / or violates restrictive covenants, such as solicitation of clients or employees.

Conversely, to support talent acquisition, and consistent with industry practice, we may offer replacement awards to attract senior candidates by offsetting deferred compensation being forfeited at their previous employer as a result of joining UBS. When making such awards, we aim to match the previous employer's terms and conditions for the awards to be forfeited upon joining UBS. The total 2021 forfeitures of USD 258 million of previously awarded deferred compensation offset the 2021 total sign-on payments, replacement payments and guarantees of USD 137 million.

Barbara Levi succeeded Markus Diethelm as Group General Counsel effective 1 November 2021. Consistent with the terms of the original awards and included in the above figures, she received replacement awards for compensation forfeited at her previous employer as a result of joining UBS. Ms. Levi's replacement payment had a total value of CHF 7,081,474 and consisted of an EOP share award representing 430,732 UBS shares (denominated in Swiss francs), a deferred cash award as well as replacement of cash items. The deferred portion of the award will vest in various installments between 2022 and 2027. These replacement awards are subject to UBS's harmful acts provisions.

## Other variable compensation components

To support hiring and retention, particularly at senior levels, we may offer other compensation components, such as:
- retention payments to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of a business;
- on a limited basis, guarantees may be required to attract individuals with certain skills and experience – these awards are fixed incentives subject to our standard deferral rules and limited to the first full year of employment;
- award grants to employees hired late in the year to replace performance awards that they would have earned at their previous employers, but have foregone by joining UBS – these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- in exceptional cases, candidates may be offered a sign-on award to increase the chances of them accepting our offer.

These other variable compensation components are subject to a comprehensive governance process, which may involve the Compensation Committee, depending on the amount or type of such payments.

Below-GEB level employees who are made redundant may receive severance payments. Our severance terms comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners and may go beyond the applicable minimum legal requirements (standard severance). Such payments are governed by location-specific severance policies. In addition, we may make severance payments that exceed legally obligated or standard severance payments where we believe these are aligned with market practice and appropriate under the circumstances (supplemental severance). GEB members do not receive severance payments.

### Sign-on payments, replacement payments, guarantees and severance payments

| | Total 2021 | *of which: non-deferred cash* | *of which: deferred compensation awards* | Total 2020 | Number of beneficiaries | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | | | | | 2021 | 2020 |
| Total sign-on payments[1] | 26 | *18* | *8* | 20 | 226 | 99 |
| *of which: Key Risk Takers[2]* | *9* | *4* | *5* | *2* | *6* | *3* |
| Total replacement payments[3] | 94 | *11* | *83* | 58 | 310 | 200 |
| *of which: Key Risk Takers[2]* | *34* | *5* | *29* | *17* | *12* | *13* |
| Total guarantees[3] | 17 | *11* | *6* | 16 | 40 | 32 |
| *of which: Key Risk Takers[2]* | *2* | *1* | *1* | *5* | *1* | *2* |
| Total severance payments[1,4] | 160 | *200[5]* | *0* | 134 | 1,477 | 1,019 |
| *of which: Key Risk Takers[2]* | *3* | *0* | *0* | *0* | *10* | *0* |

1 GEB members are not eligible for sign-on or severance payments. 2 Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2021. Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees). 3 Includes replacement payments for one GEB member in 2021 and for another GEB member in 2020. No GEB member received a guarantee in 2021 or 2020. 4 Includes legally obligated and standard severance payments as well as payments in lieu of notice. 5 Represents expense recognized in 2021 associated with payments made in 2021 as well as provisions for expected payments in 2022.

### Forfeitures[1]

| | Total 2021 | Total 2020 |
|---|---|---|
| *USD million, except where indicated* | | |
| Total forfeitures | 258 | 145 |
| *of which: former GEB members* | *23* | *0* |
| *of which: Key Risk Takers[2]* | *8* | *6* |

1 For notional share awards, forfeitures are calculated as units forfeited during the year, valued at the share price on 31 December 2021 (USD 17.87) for 2021. The 2020 data is valued using the share price on 31 December 2020 (USD 14.13). For LTIP the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2021 and 2020. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. Numbers presented may differ from the effect on the income statement in accordance with IFRS.
2 Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees) and excluding former GEB members who forfeited awards in 2021 or 2020.

## Benchmarking for employees other than GEB members

We generally consider market practice in our pay decisions and framework. Our market review reflects several factors, including the comparability of the business division, location, scope and the diversity of our businesses. For certain businesses or roles, we may consider practices at other major international banks, other large Swiss private banks, private equity firms, hedge funds and non-financial firms. We also internally benchmark employee compensation for comparable roles within and across business divisions and locations.

## Employee share ownership

According to available records on employee shareholdings, including unvested deferred compensation, as of 31 December 2021, employees held at least USD 4.5 billion of UBS shares (of which approximately USD 2.9 billion were unvested), representing approximately 7% of our total shares issued.

The Equity Plus Plan is our employee share purchase program. It allows employees at Executive Director level and below to voluntarily invest up to 30% of their base salary and / or regular commission payments to purchase UBS shares. In addition (where offered), eligible employees can invest up to 35% of their performance award under the program. Participation in the program is capped at USD / CHF 20,000 annually. Eligible employees may purchase UBS shares at market price and receive one additional share for every three shares purchased through the program. Additional shares vest after a maximum of three years, provided the employee remains employed by UBS and has retained the purchased shares throughout the holding period.

› **Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information**

## Compensation for US financial advisors in Global Wealth Management

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management predominantly includes production payout and deferred compensation awards. Production payout, paid monthly, is primarily based on compensable revenue. Financial advisors may also qualify for deferred compensation awards, which generally vest over a six-year period. These awards are based on strategic performance measures, including production and length of service with UBS. Production payout rates and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

# 2021 Group performance outcomes

## Performance awards granted for the 2021 performance year

The "Variable compensation" table below shows the amount of variable compensation awarded to employees for the 2021 performance year, together with the number of beneficiaries for each type of award granted. In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

**Variable compensation[1]**

| | Expenses recognized in the IFRS income statement | | Expenses deferred to future periods[4] | | Accounting adjustments[4] | | Total | | Number of beneficiaries | |
|---|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-deferred cash | 2,383 | 2,167 | 0 | 0 | 0 | 0 | 2,383 | 2,167 | 57,783 | 58,843 |
| Deferred compensation awards | 405 | 341 | 797 | 756 | 65 | 51 | 1,267 | 1,148 | 4,202 | 3,937 |
| *of which: Equity Ownership Plan* | *183* | *137* | *393* | *306* | *46[5]* | *35[5]* | *623* | *478* | *3,807* | *3,566* |
| *of which: Deferred Contingent Capital Plan* | *140* | *112* | *299* | *280* | *0* | *0* | *438* | *392* | *4,170* | *3,910* |
| *of which: Long-Term Incentive Plan* | *54* | *42* | *50* | *50* | *18[5]* | *16[5]* | *122* | *109* | *117* | *115* |
| *of which: Asset Management EOP* | *29* | *49* | *56* | *120* | *0* | *0* | *84* | *169* | *374* | *335* |
| Variable compensation – performance award pool | 2,788 | 2,508 | 797 | 756 | 65 | 51 | 3,650 | 3,315 | 57,793 | 58,850 |
| Variable compensation – other[2] | 191 | 126 | 215 | 181 | (121)[6] | (74)[6] | 285 | 233 | | |
| Total variable compensation excluding financial advisor variable compensation | 2,979 | 2,634 | 1,012 | 938 | (56) | (23) | 3,935 | 3,548 | | |
| Financial advisor (FA) variable compensation[3] | 4,175 | 3,378 | 1,097 | 822 | 0 | 0 | 5,272 | 4,200 | 6,218 | 6,305 |
| Total variable compensation including FA variable compensation | 7,155 | 6,012 | 2,109 | 1,760 | (56) | (23) | 9,207 | 7,749 | | |

1 Expenses under "Variable compensation – other" and "Financial advisor variable compensation" are not part of UBS's performance award pool. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Financial advisor compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 4 Estimates as of 31 December 2021 and 2020. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. 5 Represents estimated post-vesting transfer restriction and permanent forfeiture discounts. 6 Included in expenses deferred to future periods is an amount of USD 121 million (2020: USD 74 million) in interest expense related to the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date it is granted to the employee, this amount is excluded.

## 2021 performance award pool and expenses

The performance award pool, which includes performance-based variable awards for 2021, was USD 3.7 billion, reflecting an increase of 10% compared with 2020. Performance award expenses for 2021 decreased 1% to USD 3.2 billion, reflecting increased performance award expenses accrued in the performance year, offset by lower expenses related to prior performance years, as 2020 included additional expenses that resulted from modifying the terms of certain outstanding deferred compensation awards. The "Performance award pool and expenses" table below compares the performance award pool with performance award expenses.

**Performance award pool and expenses**

| *USD million, except where indicated* | 2021 | 2020 | % change |
|---|---|---|---|
| Performance award pool[1] | 3,650 | 3,315 | 10 |
| *of which: expenses deferred to future periods and accounting adjustments[2,3]* | *862* | *807* | *7* |
| Performance award expenses accrued in the performance year | 2,788 | 2,508 | 11 |
| Performance award expenses related to prior performance years | 402 | 701 | (43) |
| Total performance award expenses recognized for the year[4] | 3,190 | 3,209 | (1) |

1 Excluding employer-paid taxes and social security. 2 Estimate as of the end of the performance year. Actual amounts expensed in future periods may vary, e.g., due to forfeiture of awards. 3 Accounting adjustments represent estimated post-vesting transfer restriction and permanent forfeiture discounts. 4 Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information

# Compensation for the Board of Directors

## Chairman of the BoD

Under the leadership of the Chairman, Axel A. Weber, the BoD determines, among other things, the strategy for the Group, based on recommendations by the Group CEO, exercises ultimate supervision over management and appoints all GEB members.

The Chairman leads all general meetings and BoD meetings and works with the committee chairpersons to coordinate their work. Together with the Group CEO, the Chairman is responsible for effective communication with shareholders and stakeholders, including clients, government officials, regulators and public organizations. The Chairman works closely with the Group CEO and other GEB members, providing advice and support when appropriate, and continues to strengthen and promote our culture through the three keys to success: our Pillars, Principles and Behaviors.

The Chairman's total compensation for the period from AGM to AGM is contractually fixed without any variable component. For the current period from the 2021 AGM to the 2022 AGM, his total compensation was CHF 4.9 million, excluding benefits and pension fund contributions. The Chairman's total compensation for the current period consisted of a cash payment of CHF 3.5 million and a share component of CHF 1.4 million consisting of 72,939 UBS shares at CHF 19.194 per share. The share component aligns the Chairman's pay with the Group's long-term performance.

Thus, Mr. Weber's total reward, including benefits and pension fund contributions, for his service as Chairman for the current period, was CHF 5,224,913.

The Chairman's employment agreement does not provide for severance terms or supplementary contributions to pension plans. The benefits for the Chairman are in line with local practices for UBS employees. The Chairperson of the Compensation Committee proposes and the Compensation Committee approves the Chairman's compensation annually for the upcoming AGM-to-AGM period, taking into consideration fee or compensation levels for comparable roles based on our core financial industry peers and other relevant leading Swiss companies included in the Swiss Market Index.

› **Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2021 for more information about the responsibilities of the Chairman**

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**Compensation details and additional information for non-independent BoD members**

*CHF, except where indicated*

| Name, function[1] | For the period AGM to AGM | Base salary | Annual share award[2] | Contributions to retirement plans and benefits[3] | Total[4] | USD (for reference) Total[4,5] |
|---|---|---|---|---|---|---|
| Axel A. Weber, Chairman | 2021/2022 | 3,500,000 | 1,400,000 | 324,913 | 5,224,913 | 5,708,482 |
| | 2020/2021 | 3,500,000 | 1,400,000 | 343,283 | 5,243,283 | |

1 Axel A. Weber was the only non-independent member in office on 31 December 2021 and 31 December 2020. 2 These shares are blocked for four years. 3 Includes the estimated portion related to UBS's contribution to the statutory pension scheme and estimated benefits valued at market price, as applicable. For the period from the 2020 AGM to the 2021 AGM, the actual amount was CHF 336,050. 4 Excludes the portion related to the legally required social security contributions paid by UBS, which for the period from the 2021 AGM to the 2022 AGM is estimated at CHF 336,428 and for the period from the 2020 AGM to the 2021 AGM at CHF 332,243. The legally required social security contributions paid by the non-independent BoD members are included in the amounts shown in this table, as appropriate. 5 Swiss franc amounts have been translated into US dollars for reference at the 2021 performance award currency exchange rate of CHF / USD 1.092551.

## Independent BoD members

As outlined in the table below, all BoD members, except the Chairman, are deemed independent and receive fixed fees for their services on the BoD and its committees. Independent BoD members do not receive performance awards, severance payments, benefits or pension contributions.

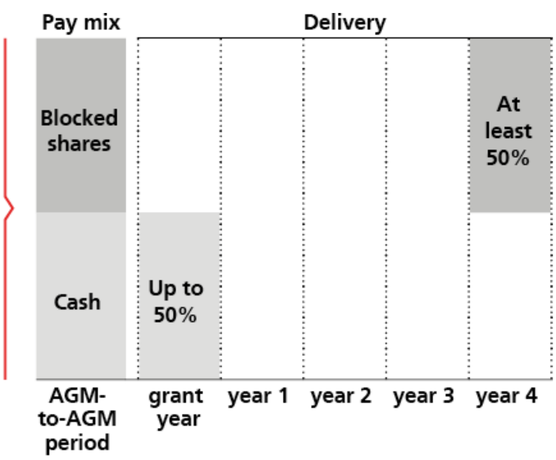
In the current period, the roles of Senior Independent Director and Vice Chairman are both held by one BoD member, but the additional fee is only paid once. Independent BoD members must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years, and they may elect to use up to 100% of their fees to purchase blocked UBS shares. In all cases, the number of shares is calculated based on the average closing price of the 10 trading days leading up to and including the grant date.

At each AGM, shareholders are invited to approve the aggregate amount of BoD remuneration, including compensation for the Chairman, which applies until the next AGM. The tables below and on the following page provide details on the fee structure for the independent BoD members.

The fee structure for independent BoD members is reviewed annually based on the Chairman's proposal to the Compensation Committee, which in turn submits a proposal to the BoD for approval. In our regular review of the BoD fee structure, we concluded that our overall approach for independent BoD member compensation remains appropriate and thus unchanged.

### Remuneration framework for independent BoD members

| *CHF* | 2021 AGM to 2022 AGM[1] | |
|---|---|---|
| Fixed base fee | 300,000 | |
| **Additional fees** | | |
| Senior Independent Director/Vice Chairman | 150,000 | |
| **Additional committee fees** | **Chair** | **Member** |
| Audit Committee | 300,000 | 200,000 |
| Compensation Committee | 200,000 | 100,000 |
| Governance and Nominating Committee | | 100,000 |
| Corporate Culture and Responsibility Committee | | 50,000 |
| Risk Committee | 350,000 | 200,000 |




1 At least 50% of the total amounts must be used to purchase UBS shares, which are blocked for four years. Independent BoD members can elect to use 100% of their remuneration to purchase blocked UBS shares.

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## Total payments to BoD members

| *CHF, except where indicated* | | | *USD (for reference)* |
|---|---|---|---|
| | For the period AGM to AGM | Total[1] | Total[1,2] |
| Aggregate of all BoD members | 2021/2022 | 12,124,913 | 13,247,082 |
| | 2020/2021 | 11,843,283 | |

1 Includes social security contributions paid by the BoD members but excludes the portion related to the legally required social security contributions paid by UBS, which for the period from the 2021 AGM to the 2022 AGM is estimated at grant at CHF 739,615 and for the period from the 2020 AGM to the 2021 AGM at CHF 719,763. 2 Swiss franc amounts have been translated into US dollars for reference at the 2021 performance award currency exchange rate of CHF / USD 1.092551

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## Remuneration details and additional information for independent BoD members

*CHF, except where indicated*

| Name, function[1] | Audit Committee | Compensation Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Risk Committee | For the period AGM to AGM | Base fee | Committee fee(s) | Additional payments[2] | Total[3] | Share percentage[4] | Number of shares[5,6] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jeremy Anderson, Vice Chairman and Senior Independent Director | C | | | M | | 2021/2022 | 300,000 | 400,000 | 150,000 | 850,000 | 50 | 22,142 |
| | C | | | M | | 2020/2021 | 300,000 | 400,000 | 150,000 | 850,000 | 50 | 30,774 |
| Claudia Böckstiegel, member | | | | | | 2021/2022 | 300,000 | 0 | | 300,000 | 50 | 7,814 |
| | | | | | | 2020/2021 | - | | | - | - | - |
| William C. Dudley, member | | | M | M | M | 2021/2022 | 300,000 | 350,000 | | 650,000 | 50 | 16,932 |
| | | | M | M | M | 2020/2021 | 300,000 | 350,000 | | 650,000 | 50 | 23,533 |
| Patrick Firmenich, member | M | | M | | | 2021/2022 | 300,000 | 250,000 | | 550,000 | 100 | 27,275 |
| | | | | | | 2020/2021 | - | | | - | - | - |
| Reto Francioni, member | | M | | | M | 2021/2022 | 300,000 | 300,000 | | 600,000 | 50 | 15,629 |
| | | M | | | M | 2020/2021 | 300,000 | 300,000 | | 600,000 | 50 | 21,723 |
| Fred Hu, member | | | | M | M | 2021/2022 | 300,000 | 300,000 | | 600,000 | 100 | 23,062 |
| | | | | M | M | 2020/2021 | 300,000 | 300,000 | | 600,000 | 100 | 32,053 |
| Mark Hughes, member | | | M | | C | 2021/2022 | 300,000 | 400,000 | | 700,000 | 50 | 18,234 |
| | | | M | | C | 2020/2021 | 300,000 | 400,000 | | 700,000 | 50 | 25,343 |
| Nathalie Rachou, member | | | | | M | 2021/2022 | 300,000 | 200,000 | | 500,000 | 50 | 13,024 |
| | | | | | M | 2020/2021 | 300,000 | 200,000 | | 500,000 | 50 | 18,102 |
| Julie G. Richardson, member | | C | | M | M | 2021/2022 | 300,000 | 500,000 | | 800,000 | 50 | 20,839 |
| | | C | | M | M | 2020/2021 | 300,000 | 500,000 | | 800,000 | 50 | 28,964 |
| Beatrice Weder di Mauro, former member | | | | | | 2021/2022 | - | | | - | - | - |
| | M | | M | | | 2020/2021 | 300,000 | 250,000 | | 550,000 | 50 | 19,913 |
| Dieter Wemmer, member | M | M | | M | | 2021/2022 | 300,000 | 400,000 | | 700,000 | 50 | 18,234 |
| | M | M | | M | | 2020/2021 | 300,000 | 400,000 | | 700,000 | 50 | 25,343 |
| Jeanette Wong, member | M | M | M | | | 2021/2022 | 300,000 | 350,000 | | 650,000 | 100 | 24,988 |
| | M | M | M | | | 2020/2021 | 300,000 | 350,000 | | 650,000 | 100 | 34,730 |
| Total 2021/2022 | | | | | | | | | | 6,900,000 | | |
| Total 2021/2022 in USD (for reference)[7] | | | | | | | | | | 7,538,600 | | |
| Total 2020/2021 | | | | | | | | | | 6,600,000 | | |

Legend: C = Chairperson of the respective Committee, M = Member of the respective Committee

1 Eleven independent BoD members were in office on 31 December 2021. At the 2021 AGM, Claudia Böckstiegel and Patrick Firmenich were newly elected and Beatrice Weder di Mauro did not stand for re-election. Ten independent BoD members were in office on 31 December 2020. 2 These payments are associated with the Vice Chairman and the Senior Independent Director function. 3 Excludes UBS's portion related to the legally required social security contributions, which for the period from the 2021 AGM to the 2022 AGM is estimated at grant at CHF 403,187 and which for the period from the 2020 AGM to the 2021 AGM was estimated at grant at CHF 387,520. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in this table, as appropriate. 4 Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members may elect to have 100% of their remuneration paid in blocked UBS shares. 5 For 2021, UBS shares were valued at CHF 19.194 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). For 2020, UBS shares, valued at CHF 13.810 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). These shares are blocked for four years. 6 Number of shares is reduced in case of the 100% election to deduct legally required contributions. All remuneration payments are, where applicable, subject to social security contributions and / or withholding tax. 7 Swiss franc amounts have been translated into US dollars for reference at the 2021 performance award currency exchange rate of CHF / USD 1.092551.

# Supplemental information

## Fixed and variable compensation for GEB members

**Fixed and variable compensation for GEB members[1,2,3]**

| CHF million, except where indicated | Total for 2021 Amount | Total for 2021 % | Not deferred Amount | Not deferred % | Deferred[4] Amount | Deferred[4] % | Total for 2020 Amount |
|---|---|---|---|---|---|---|---|
| Total compensation | | | | | | | |
| Amount[5] | 105 | 100 | 41 | 39 | 64 | 61 | 112 |
| Number of beneficiaries | 15 | | | | | | 16 |
| Fixed compensation[5,6] | 25 | 24 | 25 | 100 | 0 | 0 | 27 |
| Cash-based | 22 | 21 | 22 | | 0 | | 24 |
| Equity-based | 3 | 3 | 3 | | 0 | | 4 |
| Variable compensation | 80 | 76 | 16 | 20 | 64 | 80 | 85 |
| Cash[7] | 16 | 15 | 16 | | 0 | | 17 |
| Long-Term Incentive Plan (LTIP)[8] | 40 | 38 | 0 | | 40 | | 43 |
| Deferred Contingent Capital Plan (DCCP)[8] | 24 | 23 | 0 | | 24 | | 26 |

1 The figures include all GEB members in office during the respective years. 2 Includes compensation paid under the employment contract during the notice period for GEB members who stepped down during the respective years. 3 Includes compensation for newly appointed GEB members for their time in office as a GEB member during the respective years. 4 Based on the specific plan vesting and reflecting the total award value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS. 5 Excludes benefits and employer's contributions to retirement benefit plans. Includes social security contributions paid by GEB members but excludes the portion related to the legally required social security contributions paid by UBS. For 2021, Barbara Levi received a one-time replacement award of CHF 7 million. This replacement award is not included in the above table; including this, the 2021 total aggregate compensation of all GEB members is CHF 112 million. For 2020, Ralph A.J.G. Hamers received a one-time replacement award of CHF 0.2 million. This replacement award is not included in the above table; including this, the 2020 total aggregate compensation of all GEB members is CHF 113 million. 6 Includes base salary and role-based allowances, rounded to the nearest million. 7 Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. 8 For the GEB members who are also MRTs (or SMFs), the awards do not include dividend and interest payments. Accordingly, the amounts reflect for the LTIP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

# Regulated staff

## Key Risk Takers

KRTs are defined as those employees who, by the nature of their roles, have been determined to materially set, commit or control significant amounts of the firm's resources and / or exert significant influence over its risk profile. This includes employees that work in front-office roles, logistics and control functions. Identifying KRTs globally is part of our risk control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2021, in addition to GEB members, 699 employees were classified as KRTs throughout UBS Group globally, including all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees), who may not have been identified as KRTs during the performance year.

In line with regulatory requirements, the performance of employees identified as KRTs during the performance year is evaluated by the control functions. In addition, KRTs' performance awards are subject to a mandatory deferral rate of at least 50%, regardless of whether the deferral threshold has been met (excluding KRTs with de minimis performance awards below a pre-determined threshold where standard deferral rates apply). A KRT's deferred compensation award will only vest if the Group performance conditions are met. Consistent with all other employees, the deferred portion of a KRT's compensation is also subject to forfeiture or reduction if the KRT commits harmful acts.

**Fixed and variable compensation for Key Risk Takers[1]**

| | Total for 2021 | | Not deferred | | Deferred[2] | | Total for 2020 |
|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Amount | % | Amount | % | Amount | % | Amount |
| Total compensation | | | | | | | |
| Amount | 1,561 | 100 | 895 | 57 | 666 | 43 | 1,400 |
| Number of beneficiaries | 699 | | | | | | 647 |
| Fixed compensation[3,4] | 477 | 31 | 477 | 100 | 0 | 0 | 417 |
| Cash-based | 474 | 30 | 474 | | | | 417 |
| Equity-based | 3 | 0 | 3 | | | | 1 |
| Variable compensation | 1,084 | 69 | 418 | 39 | 666 | 61 | 983 |
| Cash[5] | 418 | 27 | 418 | | | | 365 |
| Long-Term Incentive Plan (LTIP) / Equity Ownership Plan (EOP)[6] | 423 | 27 | | | 423 | | 404 |
| Deferred Contingent Capital Plan (DCCP)[6] | 243 | 16 | | | 243 | | 213 |

1 Includes employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees), excluding GEB members who were in office during the performance year, except the new GEB member appointed during 2021, who is included for compensation received in their role as a KRT prior to being appointed to the GEB. 2 Based on the specific plan vesting and reflecting the total value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS. 3 Excludes benefits and employer's contributions to retirement benefits plan. Includes social security contributions paid by KRTs but excludes the legally required social security contributions paid by UBS. 4 Includes base salary and role-based allowances. 5 Includes allocation of vested but blocked shares, in line with regulatory requirements where applicable. 6 KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

## GEB and KRTs deferred compensation

The table below shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the economic value is determined based on the closing share price on 31 December 2021. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2021, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients.

### GEB and KRTs deferred compensation[1,2,3]

| *USD million, except where indicated* | Relating to awards for 2021[4] | Relating to awards for prior years[5] | Total | *of which: exposed to ex-post explicit and / or implicit adjustments* | Total deferred compensation year-end 2020 | Total amount of deferred compensation paid out in 2021[6] |
|---|---|---|---|---|---|---|
| GEB | | | | | | |
| Deferred Contingent Capital Plan | 26 | 72 | 98 | *100%* | 126 | 8 |
| Equity Ownership Plan (including notional funds) | | 78 | 78 | *100%* | 102 | 19 |
| Long-Term Incentive Plan | 44 | 76 | 119 | *100%* | 85 | |
| KRTs | | | | | | |
| Deferred Contingent Capital Plan | 244 | 940 | 1,183 | *100%* | 1,000 | 172 |
| Equity Ownership Plan (including notional funds) | 357 | 1,057 | 1,414 | *100%* | 1,059 | 344 |
| Long-Term Incentive Plan | 67 | 169 | 235 | *100%* | 109 | |
| Total GEB and KRTs | 736 | 2,391 | 3,127 | | 2,480 | 544 |

1 Based on the specific plan vesting and reflecting the economic value of the outstanding awards, which may differ from the expense recognized in the income statement in accordance with IFRS. Year-to-year reconciliations would also need to consider the impacts of additional items including off-cycle awards, FX movements, population changes, and dividend equivalent reinvestments. 2 Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2021 for more information. 3 GEB members and KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards. 4 Where applicable, amounts are translated into US dollars at the performance award currency exchange rate. LTIP values reflect the fair value awarded at grant. 5 Takes into account the ex-post implicit adjustments, given the share price movements since grant. Where applicable, amounts are translated from award currency into US dollars using FX rates as of 31 December 2021. LTIP values reflect the fair value awarded at grant. 6 Valued at distribution price and FX rate for all awards distributed in 2021.

The table below shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the 2021 financial year for GEB members and KRTs.

Ex-post adjustments occur after an award has been granted. Explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Implicit adjustments are unrelated to any action taken by the firm and occur as a result of price movements that affect the value of an award.

The total value of ex-post explicit adjustments made to UBS share awards in 2021, based on the approximately 8.1 million shares forfeited during 2021, is a reduction of USD 142 million.

### GEB and KRTs ex-post explicit and implicit adjustments to deferred compensation

| | Ex-post explicit adjustments to unvested awards[1] | | Ex-post implicit adjustments to unvested awards[2] | |
|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| GEB | | | | |
| Deferred Contingent Capital Plan | 0 | 0 | 0 | 0 |
| Equity Ownership Plan (including notional funds, if applicable) | 0 | 0 | 17 | 13 |
| Long-Term Incentive Plan | 0 | 0 | 21 | 5 |
| KRTs | | | | |
| Deferred Contingent Capital Plan | (14) | (3) | 0 | 0 |
| Equity Ownership Plan (including notional funds) | (16) | (3) | 250 | 98 |
| Long-Term Incentive Plan | (1) | 0 | 47 | 6 |
| Total GEB and KRTs | (31) | (6) | 335 | 122 |

1 For notional share awards, ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 31 December 2021 (USD 17.87) for 2021 (which may differ from the expense recognized in the income statement in accordance with IFRS). The 2020 data is valued using the share price on 31 December 2020 (USD 14.13). For LTIP the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2021 and 2020. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. 2 Ex-post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end. The amount for notional funds is calculated using the mark-to-market change during 2021 and 2020. For the GEB member who was appointed to the GEB during 2021, awards have been fully reflected in the GEB entries.

### Material Risk Takers

For relevant EU- or UK-regulated entities, we identify individuals who are deemed to be Material Risks Takers (MRTs) based on local regulatory requirements, including the respective EU Commission Delegated Regulation, the fifth iteration of the EU Capital Requirements Directive (CRD V) and equivalent UK requirements, as applicable. This group consists of senior management, risk takers, selected staff in control or support functions and certain highly-compensated employees. For 2021, UBS identified 683 MRTs in relation to its relevant EU or UK entities.

Variable compensation awarded to MRTs is subject to additional deferral and other requirements. These include a maximum variable to fixed compensation ratio of 200% based on approval through relevant shareholder votes, a minimum deferral rate of 40% or 60% (depending on role / variable compensation level) on performance awards and delivery of at least 50% of any upfront performance award in UBS shares that are vested but blocked for 12 months after grant.

Deferred awards granted to MRTs under UBS's deferred compensation plans for their performance in 2021 are subject to 6- or 12-month blocking periods post vesting and do not pay out dividends or interest during the deferral period.

For up to seven years after grant, performance awards granted to MRTs are subject to clawback provisions, which allow the firm to claim repayment of both the upfront and the vested deferred element of any performance award if an individual is found to have contributed substantially to significant financial losses for the Group or corporate structure in scope, a material downward restatement of disclosed results, or engaged in misconduct and / or failed to take expected actions that contributed to significant reputational harm.

LTIP awards granted to UK MRTs and SMFs are subject to an additional non-financial conduct-related metric as required by UK regulation.

### UK Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the SMCR) of the UK Prudential Regulation Authority and Financial Conduct Authority requires that individuals with specified responsibilities, performing certain significant functions and / or those in certain other identified categories be designated as SMFs.

Subject to de minimis and other compensation-related considerations, variable compensation awards made to SMFs must comply with specific requirements, including longer deferral, blocking and clawback periods. The deferral period for SMFs is seven years, with the deferred performance awards vesting no faster than pro rata from years 3 to 7, except those who have total compensation below GBP 500,000 and variable incentive accounting for less than 33% of total compensation, for whom a five-year deferral period (instead of a seven-year period) applies. Such awards are also subject to a 12-month blocking period post vesting. The clawback policy for SMFs permits clawback for up to 10 years from the date of performance award grants (applicable if an individual is subject to an investigation at the end of the initial seven-year clawback period). All SMFs are also MRTs and, as such, subject to the same prohibitions on dividend and interest payments.

### Control functions and Group Internal Audit

Our control functions must be independent in order to monitor risk effectively. Therefore, their compensation is determined separately from the revenue areas that they oversee, supervise or monitor. Their performance award pool is based not on the performance of these businesses, but on the performance of the Group as a whole. We also consider other factors, such as how effectively the function has performed and our market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head GIA and approved by the Chairman. Following a proposal by the Chairman, total compensation for the Head GIA is approved by the Compensation Committee.

# 2021 Group personnel expenses

The number of personnel employed as of 31 December 2021 was broadly stable, at 71,385 (full-time equivalents), a net decrease of 166 compared with 31 December 2020.

The table below shows our total personnel expenses for 2021, including salaries, pension expenses, social security contributions, variable compensation and other personnel costs. Variable compensation includes cash performance awards paid in 2022 for the 2021 performance year, amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees that are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of performance awards granted relating to the 2021 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the expenses recognized in the Group's financial statements prepared in accordance with IFRS:

– reduction for expenses deferred to future periods (amortization of unvested awards granted in 2022 for the 2021 performance year) and accounting adjustments; and
– addition for 2021 amortization of unvested deferred awards granted in prior years.

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS expenses in both 2021 and 2022.

› **Refer to "Note 6 Personnel expenses" and "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information**

**Personnel expenses**

| | Expenses recognized in the IFRS income statement | | | | |
|---|---|---|---|---|---|
| *USD million* | Related to the performance year 2021 | Related to prior performance years | Total expenses recognized in 2021 | Total expenses recognized in 2020 | Total expenses recognized in 2019 |
| Salaries[1] | 7,339 | 0 | 7,339 | 7,023 | 6,518 |
| Non-deferred cash | 2,383 | (10) | 2,373 | 2,141 | 1,868 |
| Deferred compensation awards | 405 | 412 | 817 | 1,068 | 887 |
| *of which: Equity Ownership Plan* | *183* | *180* | *363* | *463* | *422* |
| *of which: Deferred Contingent Capital Plan* | *140* | *158* | *297* | *463* | *375* |
| *of which: Long-Term Incentive Plan* | *54* | *19* | *73* | *54* | *39* |
| *of which: Asset Management EOP* | *29* | *56* | *84* | *88* | *51* |
| Variable compensation – performance awards[2] | 2,788 | 402 | 3,190 | 3,209 | 2,755 |
| Variable compensation – other[2,3] | 191 | 38 | 229 | 220 | 246 |
| Total variable compensation excluding financial advisor variable compensation | 2,979 | 440 | 3,419 | 3,429 | 3,001 |
| Contractors | 381 | 0 | 381 | 375 | 381 |
| Social security | 926 | 53 | 978 | 899 | 799 |
| Pension and other post-employment benefit plans[4] | 833 | 0 | 833 | 845 | 787 |
| Financial advisor variable compensation[2,5] | 4,175 | 685 | 4,860 | 4,091 | 4,043 |
| Other personnel expenses | 560 | 16 | 576 | 561 | 555 |
| Total personnel expenses | 17,193 | 1,194 | 18,387 | 17,224 | 16,084 |

1 Includes role-based allowances. 2 Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information. 3 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 4 Refer to "Note 27 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of our Annual Report 2021 for more information. 5 Consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

# Deferred compensation

### Vesting of outstanding awards granted in prior years subject to performance conditions

The tables below show the extent to which the performance conditions for awards granted in prior years have been met and the percentage of the installment that will vest in 2022.

| **Equity Ownership Plan (EOP) 2016 / 2017, EOP 2017 / 2018, EOP 2018 / 2019 and EOP 2019 / 2020** | | |
|---|---|---|
| **Performance conditions** | **Performance achieved**[1] | **% of installment vesting** |
| Return on common equity tier 1 capital (RoCET1) and divisional return on attributed equity | The Group and divisional performance conditions have been satisfied. For EOP 2016 / 2017, the third and final installment for the Group Executive Board (the GEB) members vests in full. For EOP 2017 / 2018, the second installment for the GEB members vests in full. For EOP 2018 / 2019, the first installment for the GEB members and the second installment for all other employees covered under the plan vest in full. For EOP 2019 / 2020, the first installment for all other employees covered under the plan vests in full. | 100% |

| **Deferred Contingent Capital Plan (DCCP) 2016 / 2017** | | |
|---|---|---|
| **Performance conditions** | **Performance achieved**[1] | **% of installment vesting** |
| Common equity tier 1 (CET1) capital ratio, viability event and, additionally for GEB, Group profit before tax | The performance conditions have been satisfied. DCCP 2016 / 2017 vests in full. | 100% |

1 Performance may be adjusted for disclosed items generally not representative of underlying business performance.

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## Share ownership / entitlements of GEB members[1]

| Name, function | on 31 December | Number of unvested shares / at risk[2] | Number of vested shares | Total number of shares | Potentially conferred voting rights in % |
|---|---|---|---|---|---|
| Ralph A.J.G. Hamers, Group Chief Executive Officer | 2021 | 122,453 | 2,673 | 125,126 | 0.008 |
| | 2020 | 14,841 | 0 | 14,841 | 0.001 |
| Christian Bluhm, Group Chief Risk Officer | 2021 | 654,579 | 226 | 654,805 | 0.041 |
| | 2020 | 582,787 | 218 | 583,005 | 0.035 |
| Mike Dargan, Group Chief Digital and Information Officer | 2021 | 240,343 | 82,743 | 323,086 | 0.020 |
| | 2020 | - | - | - | - |
| Markus U. Diethelm, former Group General Counsel | 2021 | - | - | - | - |
| | 2020 | 706,845 | 617,858 | 1,324,703 | 0.079 |
| Kirt Gardner, Group Chief Financial Officer | 2021 | 780,640 | 236,421 | 1,017,061 | 0.063 |
| | 2020 | 696,500 | 165,223 | 861,723 | 0.051 |
| Suni Harford, President Asset Management | 2021 | 636,122 | 22,199 | 658,321 | 0.041 |
| | 2020 | 352,329 | 0 | 352,329 | 0.021 |
| Robert Karofsky, President Investment Bank | 2021 | 851,520 | 357,064 | 1,208,584 | 0.075 |
| | 2020 | 627,748 | 357,621 | 985,369 | 0.059 |
| Sabine Keller-Busse, President Personal & Corporate Banking and President UBS Switzerland | 2021 | 798,457 | 421,491 | 1,219,948 | 0.076 |
| | 2020 | 639,087 | 349,834 | 988,921 | 0.059 |
| Iqbal Khan, Co-President Global Wealth Management and President EMEA | 2021 | 898,111 | 113,715 | 1,011,826 | 0.063 |
| | 2020 | 742,546 | 68,253 | 810,799 | 0.048 |
| Edmund Koh, President Asia Pacific | 2021 | 501,322 | 493,977 | 995,299 | 0.062 |
| | 2020 | 421,930 | 337,062 | 758,992 | 0.045 |
| Axel P. Lehmann, former President Personal & Corporate Banking and President UBS Switzerland | 2021 | - | - | - | - |
| | 2020 | 690,537 | 331,677 | 1,022,214 | 0.061 |
| Barbara Levi, Group General Counsel | 2021 | 430,732 | 0 | 430,732 | 0.027 |
| | 2020 | - | - | - | - |
| Tom Naratil, Co-President Global Wealth Management and President UBS Americas | 2021 | 1,374,044 | 950,682 | 2,324,726 | 0.145 |
| | 2020 | 1,383,854 | 770,780 | 2,154,634 | 0.128 |
| Piero Novelli, former Co-President Investment Bank | 2021 | - | - | - | - |
| | 2020 | 660,240 | 408,897 | 1,069,137 | 0.064 |
| Markus Ronner, Group Chief Compliance and Governance Officer | 2021 | 418,452 | 57,856 | 476,308 | 0.030 |
| | 2020 | 302,584 | 130,097 | 432,681 | 0.026 |
| Total | 2021 | 7,706,776 | 2,739,047 | 10,445,823 | 0.650 |
| | 2020 | 7,821,828 | 3,537,520 | 11,359,348 | 0.675 |

1 Includes all vested and unvested shares of GEB members, including those held by related parties. No options were held in 2021 and 2020 by any GEB member or any of its related parties. Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2021 for more information. 2 Includes shares granted under variable compensation plans with forfeiture provisions. LTIP values reflect the fair value awarded at grant. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Group compensation" section of this report for more information about the plans.

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## Total of all vested and unvested shares of GEB members[1,2]

| | Total | *of which: vested* | *of which: vesting* | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *2022* | *2023* | *2024* | *2025* | *2026* | *2027* |
| Shares on 31 December 2021 | 10,445,823 | *2,739,047* | *1,463,440* | *1,688,568* | *2,112,516* | *1,488,544* | *877,856* | *75,852* |
| | | | *2021* | *2022* | *2023* | *2024* | *2025* | *2026* |
| Shares on 31 December 2020 | 11,359,348 | *3,537,520* | *1,424,063* | *1,854,660* | *2,070,158* | *1,656,600* | *774,416* | *41,931* |

1 Includes shares held by related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Group compensation" section of this report for more information.

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## Number of shares of BoD members[1]

| Name, function | on 31 December | Number of shares held | Voting rights in % |
|---|---|---|---|
| Axel A. Weber, Chairman | 2021 | 1,148,369 | 0.071 |
| | 2020 | 1,046,994 | 0.062 |
| Jeremy Anderson, Vice Chairman and Senior Independent Director | 2021 | 97,518 | 0.006 |
| | 2020 | 66,744 | 0.004 |
| Claudia Böckstiegel, member[2] | 2021 | 0 | 0.000 |
| | 2020 | - | - |
| William C. Dudley, member | 2021 | 49,714 | 0.003 |
| | 2020 | 26,181 | 0.002 |
| Patrick Firmenich, member[2] | 2021 | 0 | 0.000 |
| | 2020 | - | - |
| Reto Francioni, member | 2021 | 139,609 | 0.009 |
| | 2020 | 154,086 | 0.009 |
| Fred Hu, member | 2021 | 74,481 | 0.005 |
| | 2020 | 42,428 | 0.003 |
| Mark Hughes, member | 2021 | 30,263 | 0.002 |
| | 2020 | 4,920 | 0.000 |
| Nathalie Rachou, member | 2021 | 18,102 | 0.001 |
| | 2020 | 0 | 0.000 |
| Julie G. Richardson, member | 2021 | 117,365 | 0.007 |
| | 2020 | 88,401 | 0.005 |
| Beatrice Weder di Mauro, former member[2] | 2021 | - | - |
| | 2020 | 198,578 | 0.012 |
| Dieter Wemmer, member | 2021 | 114,086 | 0.007 |
| | 2020 | 88,743 | 0.005 |
| Jeanette Wong, member | 2021 | 68,452 | 0.004 |
| | 2020 | 33,722 | 0.002 |
| **Total** | 2021 | 1,857,959 | 0.116 |
| | 2020 | 1,750,797 | 0.104 |

1 Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2021 and 2020. 2 At the 2021 AGM, Claudia Böckstiegel and Patrick Firmenich were newly elected and Beatrice Weder di Mauro did not stand for re-election.

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## Total of all blocked and unblocked shares of BoD members[1]

| | Total | *of which: unblocked* | *of which: blocked until* | | | |
|---|---|---|---|---|---|---|
| | | | *2022* | *2023* | *2024* | *2025* |
| Shares on 31 December 2021 | 1,857,959 | *701,594* | *178,603* | *305,947* | *329,875* | *341,940* |
| | | | *2021* | *2022* | *2023* | *2024* |
| Shares on 31 December 2020 | 1,750,797 | *658,642* | *205,961* | *197,395* | *332,743* | *356,056* |

1 Includes shares held by related parties.

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## Loans granted to GEB members[1]

In line with article 38 of the Articles of Association of UBS Group AG, GEB members may be granted loans. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20 million per GEB member.

| *CHF, except where indicated*[2] | | | *USD (for reference)* |
|---|---|---|---|
| Name, function | on 31 December | Loans[3] | Loans[3] |
| Christian Bluhm, Group Chief Risk Officer (highest loan in 2021) | 2021 | 7,059,000 | 7,742,947 |
| Markus U. Diethelm, Group General Counsel (highest loan in 2020) | 2020 | 6,131,500 | |
| Aggregate of all GEB members[4] | 2021 | 29,635,590 | 32,506,982 |
| | 2020 | 31,830,394 | |

1 No loans have been granted to related parties of the GEB members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 No unused uncommitted credit facilities in 2021 and 2020.

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## Loans granted to BoD members[1]

In line with article 33 of the Articles of Association of UBS Group AG, loans to independent BoD members are made in the ordinary course of business at general market conditions. The Chairman, as a non-independent member, may be granted loans in the ordinary course of business on substantially the same terms as those granted to employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20 million per BoD member.

| *CHF, except where indicated*[2] | | | *USD (for reference)* |
|---|---|---|---|
| | on 31 December | Loans[3,4] | Loans[3,4] |
| Aggregate of all BoD members | 2021 | 1,500,000 | 1,645,335 |
| | 2020 | 2,100,000 | |

1 No loans have been granted to related parties of the BoD members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 CHF 1,500,00 for Reto Francioni in 2021 and CHF 600,000 for Reto Francioni and CHF 1,500,000 for Beatrice Weder di Mauro in 2020.

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## Compensation paid to former BoD and GEB members[1]

| *CHF, except where indicated*[2] | | | | | *USD (for reference)* |
|---|---|---|---|---|---|
| | For the year | Compensation | Benefits | Total | Total |
| Former BoD members | 2021 | | | 0 | |
| | 2020 | 0 | 0 | 0 | |
| Aggregate of all former GEB members[3] | 2021 | | 187,876 | 187,876 | 205,264 |
| | 2020 | 0 | 206,048 | 206,048 | |
| Aggregate of all former BoD and GEB members | 2021 | | 187,876 | 187,876 | 205,264 |
| | 2020 | 0 | 206,048 | 206,048 | |

1 Compensation or remuneration that is related to the former members' activity on the BoD or GEB or that is not at market conditions. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 Includes benefit payments in 2021 and 2020 to two former GEB members.

## Provisions of the Articles of Association related to compensation

Swiss say-on-pay provisions give shareholders of companies listed in Switzerland significant influence over board and management compensation. At UBS, this is achieved by means of an annual binding say-on-pay vote in accordance with the following provisions of the Articles of Association (the AoA).

*Say on pay*
In line with article 43 of the AoA of UBS Group AG, the General Meeting approves proposals from the BoD in relation to:
a) the maximum aggregate amount of compensation of the BoD for the period until the next AGM;
b) the maximum aggregate amount of fixed compensation of the GEB for the following financial year; and
c) the aggregate amount of variable compensation of the GEB for the preceding financial year.

The BoD may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods. If the General Meeting does not approve a proposal from the BoD, the BoD will determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting. UBS Group AG or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

*Principles of compensation*
In line with articles 45 and 46 of the AoA of UBS Group AG, compensation of the members of the BoD includes base remuneration and may include other compensation elements and benefits. Compensation of the members of the BoD is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals, and to ensure alignment with shareholders' interests.

Compensation of the members of the GEB includes fixed and variable compensation elements. Fixed compensation includes the base salary and may include other compensation elements and benefits. Variable compensation elements are governed by financial and non-financial performance measures that take into account the performance of UBS Group AG and / or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives, and / or individual targets. The BoD or, where delegated to it, the Compensation Committee determines the respective performance measures, the overall and individual performance targets, and their achievement. The BoD or, where delegated to it, the Compensation Committee aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation are subject to a multi-year vesting period.

*Additional amount for GEB members appointed after the vote on the aggregate amount of compensation by the AGM*
In line with article 46 of the AoA of UBS Group AG, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person who becomes a member of or is being promoted within the GEB after the General Meeting has approved the compensation, UBS Group AG, or companies controlled by it, is authorized to pay or grant each such GEB member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period cannot exceed 40% of the average of total annual compensation paid or granted to the GEB during the previous three years.

› **Refer to *ubs.com/governance* for more information**

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To the General Meeting of
UBS Group AG, Zurich

Basel, 4 March 2022

## Report of the statutory auditor on the compensation report

We have audited the compensation report dated 4 March 2022 of UBS Group AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the following tables labeled "audited" of the compensation report: *Approved fixed compensation, Total compensation for GEB members, Compensation details and additional information for non-independent BoD members, Total payments to BoD members, Remuneration details and additional information for independent BoD members, Loans granted to GEB members, Loans granted to BoD members* and *Compensation paid to former BoD and GEB members.*

**Board of Directors' responsibility**
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

**Auditor's responsibility**
Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**
In our opinion, the compensation report for the year ended 31 December 2021 of UBS Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Maurice McCormick
Licensed audit expert
(Auditor in charge)

Jan Marxfeld
Licensed audit expert

# Financial statements

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# Consolidated financial statements

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## Management's report on internal control over financial reporting

### Management's responsibility for internal control over financial reporting

The Board of Directors and management of UBS Group AG (UBS) are responsible for establishing and maintaining adequate internal control over financial reporting. UBS's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

UBS's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation and fair presentation of financial statements, and that receipts and expenditures of the company are being made only in accordance with authorizations of UBS management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Management's assessment of internal control over financial reporting as of 31 December 2021

UBS management has assessed the effectiveness of UBS's internal control over financial reporting as of 31 December 2021 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework). Based on this assessment, management believes that, as of 31 December 2021, UBS's internal control over financial reporting was effective.

The effectiveness of UBS's internal control over financial reporting as of 31 December 2021 has been audited by Ernst & Young Ltd, UBS's independent registered public accounting firm, as stated in their report appearing on page 277, which expresses an unqualified opinion on the effectiveness of UBS's internal control over financial reporting as of 31 December 2021.

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

### Opinion on Internal Control over Financial Reporting

We have audited UBS Group AG and subsidiaries' internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UBS Group AG and subsidiaries ("the Group") maintained, in all material respects, effective internal control over financial reporting as of 31 December 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of 31 December 2021 and 2020, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2021, and the related notes and our report dated 4 March 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Ltd

*Ernst & Young Ltd*
Basel, 4 March 2022

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UBS Group AG and subsidiaries ("the Group") as of 31 December 2021 and 2020, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2021, and the related notes to the consolidated financial statements, including the information identified as "audited" as described in Note 1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2021, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group's internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated 4 March 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on the Group's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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***Valuation of complex or illiquid instruments at fair value***

| | |
|---|---|
| *Description of the Matter* | At 31 December 2021, as explained in Notes 1 and 21 to the consolidated financial statements, the Group held financial assets and liabilities measured at fair value of USD 345,010 million and USD 300,916 million, including financial instruments that did not trade in active markets. These instruments are reported within the following accounts: financial assets and liabilities at fair value held for trading, derivative financial instruments, financial assets at fair value not held for trading, debt issued designated at fair value, and other financial liabilities designated at fair value. In determining the fair value of these financial instruments, the Group used valuation techniques, modelling assumptions, and estimates of unobservable market inputs which required significant management judgment.<br><br>Auditing management's judgments and assumptions used in the estimation of the fair value of these instruments was complex due to the highly judgmental nature of valuation techniques, key modelling assumptions and significant unobservable inputs. Auditing the valuation of complex or illiquid instruments at fair value included consideration of any incremental risks arising from the impact of the current economic environment on valuation techniques and inputs. The valuation techniques that required especially complex judgement were comprised of discounted cash flow and earnings-based valuation techniques. Highly judgmental modelling assumptions result from a range of different models or model calibrations used by market participants. Valuation inputs which were particularly complex and subjective included those with a limited degree of observability and the extrapolation, interpolation or calibration of curves using limited and proxy data points. Examples of such inputs included unobservable credit spreads and bond prices, volatility, and correlation. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over management's financial instruments valuation processes, including controls over market data inputs, model and methodology governance, and valuation adjustments.<br><br>We tested the valuation techniques, models and methodologies, and the inputs used in those models, as outlined above, by performing an independent revaluation of certain complex or illiquid financial assets and liabilities with the support of specialists, using independent models and inputs, and comparing inputs to available market data among other procedures. We also independently challenged key judgments in relation to a sample of fair value adjustments.<br><br>We also assessed management's disclosures regarding fair value measurement (within Notes 1 and 21 to the consolidated financial statements). |

***Recognition of deferred tax assets***

| | |
|---|---|
| *Description of the Matter* | At 31 December 2021, the Group's deferred tax assets ("DTA") were USD 8,876 million (see Note 8 to the consolidated financial statements). DTAs are recognized to the extent it is probable that taxable profits will be available, against which, the deductible temporary differences or the carryforward of unused tax losses within the loss carryforward period can be utilized. There is significant judgment exercised when estimating future taxable income that is not based on the reversal of taxable temporary differences. Management's estimate of |

future taxable profits is based on its strategic plan that is sensitive to the assumptions made in estimating future taxable income.

Auditing management's assessment of the realizability of the Group's DTAs was complex due to the highly judgmental nature of estimating future taxable profits over the life of the underlying tax loss carryforwards. Estimating future profitability is inherently subjective as it is sensitive to future economic, market and other conditions, which are difficult to predict. Specifically, some of the more subjective key macro-economic assumptions used included gross domestic product growth rates, equity market performance, and interest rate expectations.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the data used for the estimations of future taxable income. This included recalculating the outputs of models applied to the recognition process for DTAs.

We involved specialists to assist in assessing the key economic assumptions embedded in the strategic plans. We compared key assumptions used to forecast future taxable income to externally available historical and prospective data and assumptions, and assessed the sensitivity of the outcomes using reasonably possible changes in assumptions.

We also assessed management's disclosure regarding recognized and unrecognized deferred tax assets (within Note 8 to the consolidated financial statements).

***Legal provisions & contingent liabilities***

*Description of the Matter*

At 31 December 2021, the Group's provisions for litigation, regulatory and similar matters (legal provisions) were USD 2,798 million. As explained in Note 18 to the consolidated financial statements, the Group operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcomes may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the legal provisions which have been established and contingent liabilities.

Auditing management's assessment of legal provisions and contingent liabilities was complex and judgmental due to the significant subjectivity involved in management's estimate of the amount and probability that an outflow of resources will be required for existing legal matters, including a material matter related to the cross-border wealth management business (Note 18b.1). In particular, these legal provisions are based on management's estimation of the amount and likelihood of the occurrence of certain scenarios.

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| | |
|---|---|
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operational effectiveness of management's controls over the legal provision and contingencies process. Our procedures included testing management's review of the accuracy of the inputs to the estimation of the amount and likelihood of the occurrence of certain scenarios.<br><br>Where appropriate, we assessed the methodologies on which the provision amounts were based with the involvement of specialists, recalculated the provisions and tested the underlying information. We inspected internal and external legal analyses of the matters supporting the judgmental aspects impacted by legal interpretations. We obtained correspondence directly from external legal counsel to assess the information provided by management and performed inquiries with external counsel as necessary.<br><br>We also assessed management's disclosure regarding legal provisions and contingent liabilities (within Note 18 to the consolidated financial statements). |

***Expected credit losses***

| | |
|---|---|
| *Description of the Matter* | At 31 December 2021, the Group's allowances and provisions for expected credit losses ("ECL") were USD 1,165 million. As explained in Notes 1, 9 and 20 to the consolidated financial statements, ECL is recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, fee and lease receivables, financial guarantees and irrevocable loan commitments. ECL is also recognized on the undrawn portion of revolving revocable credit lines, which include the Group's credit card limits and master credit facilities. The allowances and provisions for ECL consists of exposures that are in default which are individually evaluated for impairment (stage 3), as well as losses inherent in the loan portfolio that are not specifically identified (stage 1 and stage 2). Management's ECL estimates represent the difference between contractual cash flows and those the Group expects to receive, discounted at the effective interest rate. The method used to calculate ECL is based on a combination of the following principal factors: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").<br><br>Auditing management's estimate of the allowances and provisions for ECL was complex due to the highly judgmental nature of forward-looking economic scenarios that form the basis of the ECL calculation, their probability weightings, and the credit risk models used to estimate stage 1 and stage 2 ECL. The COVID-19 pandemic also contributed to the complexity with its continuing impact on the economic environment in 2021. As a result, ECL estimation requires higher management judgement, specifically within the following two areas: (i) scenario selection, including assumptions about the scenario severity, the form and shape of the recovery pattern, and the number of scenarios necessary to sufficiently cover the bandwidth of potential outcomes, as well as related scenario weights and post-model adjustments; and, (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions.<br><br>Additionally, auditing the measurement of individual ECL for stage 3 was complex due to the high degree of judgment involved in management's process for estimating ECL based on assumptions. These assumptions take into account expected future cash flows from collateral and other credit enhancements or expected payouts from bankruptcy proceedings for |

unsecured claims and, where applicable, time to realization of collateral and the seniority of claims.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the ECL estimate, including management's choice of forward-looking economic scenarios used to measure ECL and the probability weighting assigned to such scenarios. We evaluated management's methodologies and governance controls for developing and monitoring the economic scenarios used and the probability weightings assigned to them, and related post-model adjustment. Supported by specialists, we assessed the key macroeconomic variables used in the forward-looking scenarios, such as real gross domestic product growth, unemployment rate, interest rates and house price indices, and evaluated the modelled correlation and translation of those macroeconomic factors to the ECL estimate. We further assessed the appropriateness of the post-model adjustments by considering management's governance process, assumptions used and sensitivity analysis.

We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls over credit risk models used in the ECL estimate, including controls over the completeness and accuracy of model input data, calculation logic, and output data used in the overall ECL calculation. With the support of specialists, on a sample basis, we performed an evaluation of management's models and tested the model outcomes by inspecting model documentation, reperforming model calculations, and comparing data used as inputs to management's forecast to external sources, among other procedures.

For the measurement of stage 3, we obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process, including an evaluation of the assumptions used by management regarding the future cash flows from debtors' continuing operations and/or the liquidation of collateral. Supported by specialists in certain areas, we additionally tested collateral valuation, cash flow assumptions and exit strategies by performing inquiries of management, inspecting underlying documents, such as loan contracts, financial statements, covenants, budgets and business plans, and by re-performing discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosures regarding financial assets at amortized cost and other positions in scope of expected credit loss measurement (within Notes 1, 9 and 20 to the consolidated financial statements).

Ernst & Young Ltd

*Ernst & Young Ltd*

We have served as the Group's auditor since 1998.

Basel, Switzerland

4 March 2022

# UBS Group AG consolidated financial statements

## Primary financial statements and share information

Audited |

### Income statement

| | | For the year ended | | |
|---|---|---|---|---|
| *USD million* | Note | 31.12.21 | 31.12.20 | 31.12.19 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 8,533 | 8,810 | 10,684 |
| Interest expense from financial instruments measured at amortized cost | 3 | (3,259) | (4,247) | (7,194) |
| Net interest income from financial instruments measured at fair value through profit or loss | 3 | 1,431 | 1,299 | 1,011 |
| Net interest income | 3 | 6,705 | 5,862 | 4,501 |
| Other net income from financial instruments measured at fair value through profit or loss | 3 | 5,850 | 6,960 | 6,842 |
| Credit loss (expense) / release | 20 | 148 | (694) | (78) |
| Fee and commission income | 4 | 24,372 | 20,961 | 19,110 |
| Fee and commission expense | 4 | (1,985) | (1,775) | (1,696) |
| Net fee and commission income | 4 | 22,387 | 19,186 | 17,413 |
| Other income | 5 | 452 | 1,076 | 212 |
| Total operating income | | 35,542 | 32,390 | 28,889 |
| Personnel expenses | 6 | 18,387 | 17,224 | 16,084 |
| General and administrative expenses | 7 | 5,553 | 4,885 | 5,288 |
| Depreciation, amortization and impairment of non-financial assets | 12, 13 | 2,118 | 2,126 | 1,940 |
| Total operating expenses | | 26,058 | 24,235 | 23,312 |
| Operating profit / (loss) before tax | | 9,484 | 8,155 | 5,577 |
| Tax expense / (benefit) | 8 | 1,998 | 1,583 | 1,267 |
| Net profit / (loss) | | 7,486 | 6,572 | 4,310 |
| Net profit / (loss) attributable to non-controlling interests | | 29 | 15 | 6 |
| Net profit / (loss) attributable to shareholders | | 7,457 | 6,557 | 4,304 |
| **Earnings per share (USD)** | | | | |
| Basic | | 2.14 | 1.83 | 1.17 |
| Diluted | | 2.06 | 1.77 | 1.14 |

## Statement of comprehensive income

| | | For the year ended | | |
|---|---|---|---|---|
| *USD million* | *Note* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Comprehensive income attributable to shareholders** | | | | |
| Net profit / (loss) | | 7,457 | 6,557 | 4,304 |
| Other comprehensive income that may be reclassified to the income statement | | | | |
| Foreign currency translation | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | | (1,076) | 2,103 | 200 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | | 498 | (936) | (134) |
| Foreign currency translation differences on foreign operations reclassified to the income statement | | (2) | (7) | 52 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | | 10 | 2 | (14) |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | | 35 | (67) | 0 |
| Subtotal foreign currency translation, net of tax | | (535) | 1,095 | 104 |
| Financial assets measured at fair value through other comprehensive income | 11 | | | |
| Net unrealized gains / (losses), before tax | | (203) | 223 | 189 |
| Net realized gains / (losses) reclassified to the income statement from equity | | (9) | (40) | (31) |
| Income tax relating to net unrealized gains / (losses) | | 55 | (48) | (41) |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | | (157) | 136 | 117 |
| Cash flow hedges of interest rate risk | 26 | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | | (992) | 2,012 | 1,571 |
| Net (gains) / losses reclassified to the income statement from equity | | (1,073) | (770) | (175) |
| Income tax relating to cash flow hedges | | 390 | (231) | (253) |
| Subtotal cash flow hedges, net of tax | | (1,675)[1] | 1,011 | 1,143 |
| Cost of hedging | 26 | | | |
| Cost of hedging, before tax | | (32) | (13) | |
| Income tax relating to cost of hedging | | 6 | 0 | |
| Subtotal cost of hedging, net of tax | | (26) | (13) | |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | | (2,393) | 2,230 | 1,363 |
| | | | | |
| Other comprehensive income that will not be reclassified to the income statement | | | | |
| Defined benefit plans | 27 | | | |
| Gains / (losses) on defined benefit plans, before tax | | 2 | (327) | (146) |
| Income tax relating to defined benefit plans | | (7) | 109 | (41) |
| Subtotal defined benefit plans, net of tax | | (5) | (218) | (186) |
| Own credit on financial liabilities designated at fair value | 21 | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | | 46 | (293) | (400) |
| Income tax relating to own credit on financial liabilities designated at fair value | | 0 | 0 | 8 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | | 46 | (293) | (392) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | 42 | (511) | (578) |
| | | | | |
| Total other comprehensive income | | (2,351) | 1,719 | 785 |
| Total comprehensive income attributable to shareholders | | 5,106 | 8,276 | 5,089 |
| **Comprehensive income attributable to non-controlling interests** | | | | |
| Net profit / (loss) | | 29 | 15 | 6 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | (16) | 21 | (4) |
| Total comprehensive income attributable to non-controlling interests | | 13 | 36 | 2 |
| **Total comprehensive income** | | | | |
| Net profit / (loss) | | 7,486 | 6,572 | 4,310 |
| Other comprehensive income | | (2,367) | 1,740 | 781 |
| *of which: other comprehensive income that may be reclassified to the income statement* | | *(2,393)* | *2,230* | *1,363* |
| *of which: other comprehensive income that will not be reclassified to the income statement* | | *26* | *(490)* | *(582)* |
| Total comprehensive income | | 5,119 | 8,312 | 5,091 |

1 Mainly reflects the reclassification of net gains on hedging instruments from OCI to the income statement as the hedged forecast cash flows affected profit or loss and a decrease in net unrealized gains on US dollar hedging derivatives resulting from increases in the relevant long-term US dollar interest rates.

## Balance sheet

| USD million | Note | 31.12.21 | 31.12.20 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | 192,817 | 158,231 |
| Loans and advances to banks | 9 | 15,480 | 15,444 |
| Receivables from securities financing transactions | 9, 22 | 75,012 | 74,210 |
| Cash collateral receivables on derivative instruments | 9, 22 | 30,514 | 32,737 |
| Loans and advances to customers | 9 | 397,761 | 379,528 |
| Other financial assets measured at amortized cost | 9, 14a | 26,209 | 27,194 |
| Total financial assets measured at amortized cost | | 737,794 | 687,345 |
| Financial assets at fair value held for trading | 21 | 130,821 | 125,397 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | | *43,397* | *47,098* |
| Derivative financial instruments | 10, 21, 22 | 118,142 | 159,617 |
| Brokerage receivables | 21 | 21,839 | 24,659 |
| Financial assets at fair value not held for trading | 21 | 60,080 | 80,364 |
| Total financial assets measured at fair value through profit or loss | | 330,882 | 390,037 |
| Financial assets measured at fair value through other comprehensive income | 11, 21 | 8,844 | 8,258 |
| Investments in associates | 29b | 1,243 | 1,557 |
| Property, equipment and software | 12 | 12,888 | 13,109 |
| Goodwill and intangible assets | 13 | 6,378 | 6,480 |
| Deferred tax assets | 8 | 8,876 | 9,212 |
| Other non-financial assets | 14b | 10,277 | 9,768 |
| Total assets | | 1,117,182 | 1,125,765 |
| **Liabilities** | | | |
| Amounts due to banks | 15 | 13,101 | 11,050 |
| Payables from securities financing transactions | 22 | 5,533 | 6,321 |
| Cash collateral payables on derivative instruments | 22 | 31,798 | 37,312 |
| Customer deposits | 15 | 542,007 | 524,605 |
| Debt issued measured at amortized cost | 17 | 139,155 | 139,232 |
| Other financial liabilities measured at amortized cost | 19a | 9,001 | 9,729 |
| Total financial liabilities measured at amortized cost | | 740,595 | 728,250 |
| Financial liabilities at fair value held for trading | 21 | 31,688 | 33,595 |
| Derivative financial instruments | 10, 21, 22 | 121,309 | 161,102 |
| Brokerage payables designated at fair value | 21 | 44,045 | 38,742 |
| Debt issued designated at fair value | 16, 21 | 73,799 | 61,243 |
| Other financial liabilities designated at fair value | 19b, 21 | 30,074 | 30,387 |
| Total financial liabilities measured at fair value through profit or loss | | 300,916 | 325,069 |
| Provisions | 18a | 3,518 | 2,828 |
| Other non-financial liabilities | 19c | 11,151 | 9,854 |
| Total liabilities | | 1,056,180 | 1,066,000 |
| **Equity** | | | |
| Share capital | | 322 | 338 |
| Share premium | | 15,928 | 16,753 |
| Treasury shares | | (4,675) | (4,068) |
| Retained earnings | | 43,851 | 38,776 |
| Other comprehensive income recognized directly in equity, net of tax | | 5,236 | 7,647 |
| Equity attributable to shareholders | | 60,662 | 59,445 |
| Equity attributable to non-controlling interests | | 340 | 319 |
| Total equity | | 61,002 | 59,765 |
| Total liabilities and equity | | 1,117,182 | 1,125,765 |

## Statement of changes in equity

| *USD million* | Share capital | Share premium | Treasury shares | Retained earnings |
|---|---|---|---|---|
| Balance as of 31 December 2018 | 338 | 20,843 | (2,631) | 30,416 |
| Effect of adoption of IFRIC 23 | | | | (11) |
| Balance as of 1 January 2019 after the adoption of IFRIC 23 | 338 | 20,843 | (2,631) | 30,405 |
| Acquisition of treasury shares | | | (1,771)[2] | |
| Delivery of treasury shares under share-based compensation plans | | (886) | 983 | |
| Other disposal of treasury shares | | (2) | 94[2] | |
| Premium on shares issued and warrants exercised | | 29 | | |
| Share-based compensation expensed in the income statement | | 619 | | |
| Tax (expense) / benefit | | 11 | | |
| Dividends | | (2,544)[3] | | |
| Translation effects recognized directly in retained earnings | | | | (9) |
| New consolidations / (deconsolidations) and other increases / (decreases) | | (6) | | |
| Total comprehensive income for the year | | | | 3,726 |
| *of which: net profit / (loss)* | | | | *4,304* |
| *of which: OCI, net of tax* | | | | *(578)* |
| Balance as of 31 December 2019 | 338 | 18,064 | (3,326) | 34,122 |
| Acquisition of treasury shares | | | (1,584)[2] | |
| Delivery of treasury shares under share-based compensation plans | | (628) | 719 | |
| Other disposal of treasury shares | | (11) | 123[2] | |
| Share-based compensation expensed in the income statement | | 691 | | |
| Tax (expense) / benefit | | 18 | | |
| Dividends | | (1,304)[3] | | (1,304)[3] |
| Translation effects recognized directly in retained earnings | | | | (49) |
| Share of changes in retained earnings of associates and joint ventures | | | | (40) |
| New consolidations / (deconsolidations) and other increases / (decreases)[4] | | (76) | | |
| Total comprehensive income for the year | | | | 6,046 |
| *of which: net profit / (loss)* | | | | *6,557* |
| *of which: OCI, net of tax* | | | | *(511)* |
| Balance as of 31 December 2020 | 338 | 16,753 | (4,068) | 38,776 |
| Acquisition of treasury shares | | | (3,521)[2] | |
| Delivery of treasury shares under share-based compensation plans | | (675) | 789 | |
| Other disposal of treasury shares | | 7 | 81[2] | |
| Cancellation of treasury shares related to the 2018–2021 share repurchase program[5] | (16) | (236) | 2,044 | (1,792) |
| Share-based compensation expensed in the income statement | | 643 | | |
| Tax (expense) / benefit | | (88) | | |
| Dividends | | (651)[3] | | (651)[3] |
| Equity classified as obligation to purchase own shares | | (7) | | |
| Translation effects recognized directly in retained earnings | | | | 18 |
| Share of changes in retained earnings of associates and joint ventures | | | | 1 |
| New consolidations / (deconsolidations) and other increases / (decreases)[6] | | 182 | | |
| Total comprehensive income for the year | | | | 7,499 |
| *of which: net profit / (loss)* | | | | *7,457* |
| *of which: OCI, net of tax* | | | | *42* |
| Balance as of 31 December 2021 | 322 | 15,928 | (4,675) | 43,851 |

1 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. 2 Includes treasury shares acquired and disposed of by the Investment Bank in its capacity as a market-maker with regard to UBS shares and related derivatives, and to hedge certain issued structured debt instruments. These acquisitions and disposals are reported based on the sum of the net monthly movements. 3 Reflects the payment of an ordinary cash dividend of USD 0.37 (2020: USD 0.73, 2019: CHF 0.70) per dividend-bearing share. From 2020 onward, Swiss tax law effective 1 January 2020 requires that Switzerland-domiciled companies with shares listed on a stock exchange pay no more than 50% of dividends from capital contribution reserves, with the remainder required to be paid from retained earnings. 4 Mainly relates to the establishment of a banking partnership with Banco do Brasil. In 2020, UBS issued a 49.99% stake in UBS Brasil Serviços in exchange for exclusive access to Banco do Brasil's corporate clients. Upon completion of the transaction in 2020, equity attributable to non-controlling interests increased by USD 115 million, with no material effect on equity attributable to shareholders. 5 Reflects the cancellation of 156,632,400 shares purchased under UBS's 2018–2021 share repurchase program as approved by shareholders at the 2021 Annual General Meeting. For shares repurchased from 2020 onward, Swiss tax law effective 1 January 2020 requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to reduce capital contribution reserves by at least 50% of the total capital reduction amount exceeding the nominal value upon cancellation of the shares. 6 Includes the effects related to the launch of UBS's new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. Refer to Note 30 for more information.

| Other comprehensive income recognized directly in equity, net of tax[1] | *of which: foreign currency translation* | *of which: financial assets at fair value through OCI* | *of which: cash flow hedges* | *of which: cost of hedging* | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---:|---:|---:|---:|---:|---:|---:|---:|
| 3,930 | *3,924* | *(103)* | *109* | | 52,896 | 176 | 53,071 |
| | | | | | (11) | | (11) |
| 3,930 | *3,924* | *(103)* | *109* | | 52,885 | 176 | 53,060 |
| | | | | | (1,771) | | (1,771) |
| | | | | | 97 | | 97 |
| | | | | | 92 | | 92 |
| | | | | | 29 | | 29 |
| | | | | | 619 | | 619 |
| | | | | | 11 | | 11 |
| | | | | | (2,544) | (8) | (2,552) |
| 9 | | *0* | *9* | | 0 | | 0 |
| | | | | | (6) | 5 | (1) |
| 1,363 | *104* | *117* | *1,143* | | 5,089 | 2 | 5,091 |
| | | | | | *4,304* | *6* | *4,310* |
| *1,363* | *104* | *117* | *1,143* | | *785* | *(4)* | *781* |
| 5,303 | *4,028* | *14* | *1,260* | | 54,501 | 174 | 54,675 |
| | | | | | (1,584) | | (1,584) |
| | | | | | 90 | | 90 |
| | | | | | 112 | | 112 |
| | | | | | 691 | | 691 |
| | | | | | 18 | | 18 |
| | | | | | (2,607) | (6) | (2,613) |
| 49 | | *0* | *49* | | 0 | | 0 |
| | | | | | (40) | | (40) |
| 65 | *65* | | | | (12) | 115 | 103 |
| 2,230 | *1,095* | *136* | *1,011* | *(13)* | 8,276 | 36 | 8,312 |
| | | | | | *6,557* | *15* | *6,572* |
| *2,230* | *1,095* | *136* | *1,011* | *(13)* | *1,719* | *21* | *1,740* |
| 7,647 | *5,188* | *151* | *2,321* | *(13)* | 59,445 | 319 | 59,765 |
| | | | | | (3,521) | | (3,521) |
| | | | | | 114 | | 114 |
| | | | | | 88 | | 88 |
| | | | | | 0 | | 0 |
| | | | | | 643 | | 643 |
| | | | | | (88) | | (88) |
| | | | | | (1,301) | (4) | (1,305) |
| | | | | | (7) | | (7) |
| (18) | | *0* | *(18)* | *0* | 0 | | 0 |
| | | | | | 1 | | 1 |
| | | | | | 182 | 12 | 193 |
| (2,393) | *(535)* | *(157)* | *(1,675)* | *(26)* | 5,106 | 13 | 5,119 |
| | | | | | *7,457* | *29* | *7,486* |
| *(2,393)* | *(535)* | *(157)* | *(1,675)* | *(26)* | *(2,351)* | *(16)* | *(2,367)* |
| 5,236 | *4,653* | *(7)* | *628* | *(39)* | 60,662 | 340 | 61,002 |

## Share information and earnings per share

### Ordinary share capital

As of 31 December 2021, UBS Group AG had 3,702,422,995 issued shares with a nominal value of CHF 0.10 each, leading to a share capital of CHF 370,242,299.50. Shares issued decreased by 157 million and share capital decreased by USD 16 million in 2021, as the 156,632,400 shares acquired under the 2018–2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2021 Annual General Meeting.

### Conditional share capital

As of 31 December 2021, the following conditional share capital was available to UBS Group AG's Board of Directors (BoD):

- A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the Annual General Meeting (AGM) of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
- A maximum of CHF 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.

### Authorized share capital

UBS Group AG had no authorized capital available to issue on 31 December 2021.

### Share repurchase programs

In March 2018, UBS initiated a share repurchase program of up to CHF 2 billion over a three-year period. Under this program, UBS repurchased 8 million shares for a total acquisition cost of USD 112 million in 2021 (2020: 31 million shares for a total acquisition cost of USD 364 million).

The 2018–2021 program was completed on 2 February 2021 and the 156,632,400 shares acquired under the 2018–2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2021 Annual General Meeting.

In February 2021, UBS commenced a new three-year share repurchase program of up to CHF 4 billion. Under this program, UBS repurchased 153 million shares in 2021 for a total acquisition cost of USD 2,500 million (CHF 2,294 million).

| | As of or for the year ended | | |
|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.19 |
| **Shares outstanding** | | | |
| Shares issued | | | |
| Balance at the beginning of the year | 3,859,055,395 | 3,859,055,395 | 3,855,634,749 |
| Shares issued | | | 3,420,646 |
| Shares canceled | (156,632,400)[1] | | |
| Balance at the end of the year | 3,702,422,995 | 3,859,055,395 | 3,859,055,395 |
| Treasury shares | | | |
| Balance at the beginning of the year | 307,477,002 | 243,021,296 | 166,467,802 |
| Acquisitions | 214,270,175 | 128,372,257 | 146,876,692 |
| Disposals | (62,299,449) | (63,916,551) | (70,323,198) |
| Cancellation of second trading line treasury shares | (156,632,400)[1] | | |
| Balance at the end of the year | 302,815,328 | 307,477,002 | 243,021,296 |
| Shares outstanding | 3,399,607,667 | 3,551,578,393 | 3,616,034,099 |
| **Basic and diluted earnings (USD million)** | | | |
| Net profit / (loss) attributable to shareholders for basic EPS | 7,457 | 6,557 | 4,304 |
| Less: (profit) / loss on own equity derivative contracts | 0 | (1) | 0 |
| Net profit / (loss) attributable to shareholders for diluted EPS | 7,457 | 6,556 | 4,304 |
| **Weighted average shares outstanding** | | | |
| Weighted average shares outstanding for basic EPS[2] | 3,482,963,682 | 3,583,176,189 | 3,663,278,238 |
| Effect of dilutive potential shares resulting from notional employee shares, in-the-money options and warrants outstanding[3] | 144,277,693 | 123,852,137 | 103,881,600 |
| Weighted average shares outstanding for diluted EPS | 3,627,241,375 | 3,707,028,326 | 3,767,159,838 |
| **Earnings per share (USD)** | | | |
| Basic | 2.14 | 1.83 | 1.17 |
| Diluted | 2.06 | 1.77 | 1.14 |
| **Potentially dilutive instruments[4]** | | | |
| Employee share-based compensation awards | 5,886,945 | 2,536,789 | |
| Other equity derivative contracts | 6,553,051 | 11,414,728 | 21,632,879 |
| Total | 12,439,996 | 13,951,517 | 21,632,879 |

1 Reflects the cancellation of shares purchased under UBS's 2018–2021 share repurchase program as approved by shareholders at the 2021 Annual General Meeting. 2 The weighted average shares outstanding for basic EPS are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period. 3 The weighted average number of shares for notional employee awards with performance conditions reflects all potentially dilutive shares that are expected to vest under the terms of the awards. 4 Reflects potential shares that could dilute basic earnings per share in the future, but were not dilutive for the periods presented.

## Statement of cash flows

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Cash flow from / (used in) operating activities** | | | |
| Net profit / (loss) | 7,486 | 6,572 | 4,310 |
| Non-cash items included in net profit and other adjustments: | | | |
| Depreciation, amortization and impairment of non-financial assets | 2,118 | 2,126 | 1,940 |
| Credit loss expense / (release) | (148) | 694 | 78 |
| Share of net profits of associates and joint ventures and impairment related to associates | (105) | (84) | (45) |
| Deferred tax expense / (benefit) | 434 | 352 | 477 |
| Net loss / (gain) from investing activities | (230) | (698) | 220 |
| Net loss / (gain) from financing activities | 100 | 3,246 | 6,493 |
| Other net adjustments | 3,802 | (8,076) | 854 |
| Net change in operating assets and liabilities: | | | |
| Loans and advances to banks and amounts due to banks | 2,148 | 3,586 | (4,336) |
| Securities financing transactions | (2,316) | 9,588 | 8,678 |
| Cash collateral on derivative instruments | (3,312) | (3,487) | 2,839 |
| Loans and advances to customers | (27,460) | (33,656) | (3,128) |
| Customer deposits | 29,825 | 51,805 | 23,217 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | (10,516) | 11,259 | (18,829) |
| Brokerage receivables and payables | 8,115 | (5,199) | (2,347) |
| Financial assets at fair value not held for trading and other financial assets and liabilities | 19,609 | 320 | 33 |
| Provisions and other non-financial assets and liabilities | 3,010 | (387) | 55 |
| Income taxes paid, net of refunds | (1,134) | (1,002) | (804) |
| Net cash flow from / (used in) operating activities | 31,425 | 36,958 | 19,705 |
| **Cash flow from / (used in) investing activities** | | | |
| Purchase of subsidiaries, associates and intangible assets | (1) | (46) | (26) |
| Disposal of subsidiaries, associates and intangible assets[1] | 593 | 674 | 114 |
| Purchase of property, equipment and software | (1,841) | (1,854) | (1,584) |
| Disposal of property, equipment and software | 295 | 366 | 11 |
| Purchase of financial assets measured at fair value through other comprehensive income | (5,802) | (6,290) | (3,424) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 5,052 | 4,530 | 3,913 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (415) | (4,166) | (562) |
| Net cash flow from / (used in) investing activities | (2,119) | (6,785) | (1,558) |

Table continues on the next page.

## Statement of cash flows (continued)

Table continued from previous page.

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Cash flow from / (used in) financing activities** | | | |
| Net short-term debt issued / (repaid) | (3,093) | 23,845 | (17,149) |
| Net movements in treasury shares and own equity derivative activity | (3,341) | (1,387) | (1,559) |
| Distributions paid on UBS shares | (1,301) | (2,607) | (2,544) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost | 98,272 | 80,255 | 65,047 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost | (79,909) | (87,098) | (68,883) |
| Net cash flows from other financing activities | (282) | (575) | (526) |
| Net cash flow from / (used in) financing activities | 10,345 | 12,432 | (25,614) |
| **Total cash flow** | | | |
| Cash and cash equivalents at the beginning of the year | 173,531 | 119,873 | 126,079 |
| Net cash flow from / (used in) operating, investing and financing activities | 39,651 | 42,605 | (7,467) |
| Effects of exchange rate differences on cash and cash equivalents | (5,307) | 11,052 | 1,261 |
| Cash and cash equivalents at the end of the year[2] | 207,875 | 173,531 | 119,873 |
| *of which: cash and balances at central banks[3]* | *192,706* | *158,088* | *106,957* |
| *of which: loans and advances to banks* | *13,942* | *14,028* | *11,386* |
| *of which: money market paper[4]* | *1,227* | *1,415* | *1,530* |
| **Additional information** | | | |
| Net cash flow from / (used in) operating activities includes: | | | |
| Interest received in cash | 11,163 | 11,915 | 15,315 |
| Interest paid in cash | 4,707 | 6,320 | 10,769 |
| Dividends on equity investments, investment funds and associates received in cash[5] | 2,531 | 1,901 | 3,145 |

1 Includes cash proceeds from the sale of UBS's investment in Clearstream Fund Centre AG (previously Fondcenter AG). UBS's majority stake was sold in 2020 and the remaining minority investment was sold in the second quarter of 2021. Refer to Note 30 for more information. Also includes dividends received from associates. 2 USD 3,408 million, USD 3,828 million and USD 3,192 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 December 2021, 31 December 2020 and 31 December 2019, respectively. Refer to Note 23 for more information. 3 Includes only balances with an original maturity of three months or less. 4 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost. 5 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

## Changes in liabilities arising from financing activities

| *USD million* | Debt issued measured at amortized cost | *of which: short-term[1]* | *of which: long-term[2]* | Debt issued designated at fair value | Over-the-counter debt instruments[3] | Total |
|---|---|---|---|---|---|---|
| Balance as of 1 January 2020 | 110,497 | *21,837* | *88,660* | 66,809 | 2,022 | 179,327 |
| Cash flows | 22,428 | *23,845* | *(1,417)* | (5,420) | (6) | 17,002 |
| Non-cash changes | 6,308 | *984* | *5,324* | (146) | 44 | 6,207 |
| *of which: foreign currency translation* | *4,980* | *984* | *3,995* | *1,764* | *81* | *6,824* |
| *of which: fair value changes* | | | | *(1,909)* | *(37)* | *(1,946)* |
| *of which: hedge accounting and other effects* | *1,328* | | *1,328* | | | *1,328* |
| Balance as of 31 December 2020 | 139,232 | *46,666* | *92,566* | 61,243 | 2,060 | 202,535 |
| Cash flows | 5,070 | *(3,093)* | *8,163* | 10,076 | 124 | 15,270 |
| Non-cash changes | (5,148) | *(475)* | *(4,673)* | 2,480 | (56) | (2,724) |
| *of which: foreign currency translation* | *(3,175)* | *(475)* | *(2,700)* | *(1,617)* | *(65)* | *(4,857)* |
| *of which: fair value changes* | | | | *4,097* | *9* | *4,106* |
| *of which: hedge accounting and other effects* | *(1,972)* | | *(1,972)* | | | *(1,972)* |
| Balance as of 31 December 2021 | 139,155 | *43,098* | *96,057* | 73,799 | 2,128 | 215,082 |

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Included in balance sheet line Other financial liabilities designated at fair value.

# Notes to the UBS Group AG consolidated financial statements

## Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

## Note 1 Summary of material accounting policies (continued)

### a) Material accounting policies

This Note describes the material accounting policies applied in the preparation of the consolidated financial statements (the Financial Statements) of UBS Group AG and its subsidiaries (UBS or the Group). On 24 February 2022, the Financial Statements were authorized for issue by the Board of Directors.

#### Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD).

Disclosures marked as audited in the "Risk, capital, liquidity and funding, and balance sheet" section of this report form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, and are not repeated in this section.

The accounting policies described in this Note have been applied consistently in all years presented unless otherwise stated in Note 1b.

**Critical accounting estimates and judgments**

Preparation of these Financial Statements under IFRS requires management to apply judgment and make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities, and may involve significant uncertainty at the time they are made. Such estimates and assumptions are based on the best available information. UBS regularly reassesses such estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, updating them as necessary. Changes in those estimates and assumptions may have a significant effect on the Financial Statements. Furthermore, actual results may differ significantly from UBS's estimates, which could result in significant losses to the Group, beyond what was anticipated or provided for.

The following areas contain estimation uncertainty or require critical judgment and have a significant effect on amounts recognized in the Financial Statements:

- expected credit loss measurement (refer to item 2g in this Note and to Note 20);
- fair value measurement (refer to item 2f in this Note and to Note 21);
- income taxes (refer to item 6 in this Note and to Note 8);
- provisions and contingent liabilities (refer to item 9 in this Note and to Note 18);
- post-employment benefit plans (refer to item 5 in this Note and to Note 27);
- goodwill (refer to item 8 in this Note and to Note 13); and
- consolidation of structured entities (refer to item 1 in this Note and to Note 29).

#### 1) Consolidation

The Financial Statements comprise the financial statements of the parent company (UBS Group AG) and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS consolidates all entities that it controls, including structured entities (SEs), which is the case when it has: (i) power over the relevant activities of the entity; (ii) exposure to an entity's variable returns; and (iii) the ability to use its power to affect its own returns.

Consideration is given to all facts and circumstances to determine whether the Group has power over another entity, i.e., the current ability to direct the relevant activities of an entity when decisions about those activities need to be made.

Subsidiaries, including SEs, are consolidated from the date when control is gained and deconsolidated from the date when control ceases. Control, or the lack thereof, is reassessed if facts and circumstances indicate that there is a change to one or more elements required to establish that control is present.

Business combinations are accounted for using the acquisition method. The amount of any non-controlling interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

› **Refer to Note 29 for more information**

**Critical accounting estimates and judgments**

Each individual entity is assessed for consolidation in line with the aforementioned consolidation principles. The assessment of control can be complex and requires the use of significant judgment, in particular in determining whether UBS has power over the entity. As the nature and extent of UBS's involvement is unique for each entity, there is no uniform consolidation outcome by entity. Certain entities within a class may be consolidated while others may not. When carrying out the consolidation assessment, judgment is exercised considering all the relevant facts and circumstances, including the nature and activities of the investee, as well as the substance of voting and similar rights.

› **Refer to Note 29 for more information**

## 2) Financial instruments

### a. Recognition

UBS recognizes financial instruments when it becomes a party to contractual provisions of an instrument. UBS applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments.

In transactions where UBS acts as a transferee, to the extent the financial asset transfer does not qualify for derecognition by the transferor, UBS does not recognize the transferred instrument as its asset.

UBS also acts in a fiduciary capacity, which results in it holding or placing assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Unless these items meet the definition of an asset and the recognition criteria are satisfied, they are not recognized on UBS's balance sheet and the related income is excluded from the Financial Statements.

Client cash balances associated with derivatives clearing and execution services are not recognized on the balance sheet if, through contractual agreement, regulation or practice, UBS neither obtains benefits from nor controls such cash balances.

### b. Classification, measurement and presentation

*Financial assets*

All financial instruments are on initial recognition measured at fair value and classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For financial instruments subsequently measured at amortized cost or FVOCI, the initial fair value is adjusted for directly attributable transaction costs.

Where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows, or at FVOCI if it is held within a business model with the objective being achieved by both collecting contractual cash flows and selling financial assets.

All other financial assets are measured at FVTPL, including those held for trading or those managed on a fair value basis, except for derivatives designated in a hedge relationship, in which case hedge accounting requirements apply (refer to item 2j in this Note for more information).

*Business model assessment and contractual cash flow characteristics*

UBS determines the nature of a business model by considering the way financial assets are managed to achieve a particular business objective.

In assessing whether contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument.

*Financial liabilities*

*Financial liabilities measured at amortized cost*

Debt issued measured at amortized cost includes contingent capital instruments containing contractual provisions under which the principal amounts would be written down or converted into equity upon either a specified common equity tier 1 (CET1) ratio breach or a determination by the Swiss Financial Market Supervisory Authority (FINMA) that a viability event has occurred. Such contractual provisions are not derivatives, as the underlying is deemed to be a non-financial variable specific to a party to the contract.

If a debt were to be written down or converted into equity in a future period, it would be partially or fully derecognized, with the difference between its carrying amount and the fair value of any equity issued recognized in the income statement.

A gain or loss is recognized in *Other income* when debt issued is subsequently repurchased for market-making or other activities. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

*Financial liabilities measured at fair value through profit or loss*

UBS designates certain issued debt instruments as financial liabilities at fair value through profit or loss, on the basis that such financial instruments include embedded derivatives and / or are managed on a fair value basis (refer to the table below for more information), in which case bifurcation of the embedded derivative component is not required. Financial instruments including embedded derivatives arise predominantly from the issuance of certain structured debt instruments.

*Measurement and presentation*

After initial recognition, UBS classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9, as described in the table on the following pages.

## Note 1 Summary of material accounting policies (continued)

**Classification, measurement and presentation of financial assets**

| **Financial assets classification** | | **Significant items included** | **Measurement and presentation** |
|---|---|---|---|
| **Measured at amortized cost** | | This classification includes:<br>– cash and balances at central banks;<br>– loans and advances to banks;<br>– receivables from securities financing transactions;<br>– cash collateral receivables on derivative instruments;<br>– residential and commercial mortgages;<br>– corporate loans;<br>– secured loans, including Lombard loans, and unsecured loans;<br>– loans to financial advisors; and<br>– debt securities held as high-quality liquid assets (HQLA). | Measured at amortized cost using the effective interest method less allowances for expected credit losses (ECL) (refer to items 2d and 2g in this Note for more information).<br><br>The following items are recognized in the income statement:<br>– interest income, which is accounted for in accordance with item 2d in this Note;<br>– ECL and reversals; and<br>– foreign exchange (FX) translation gains and losses.<br><br>When a financial asset at amortized cost is derecognized, the gain or loss is recognized in the income statement.<br><br>For amounts arising from settlement of certain derivatives, refer to the next page. |
| **Measured at FVOCI** | Debt instruments measured at FVOCI | This classification primarily includes debt securities and certain asset-backed securities held as HQLA. | Measured at fair value, with unrealized gains and losses reported in *Other comprehensive income,* net of applicable income taxes, until such investments are derecognized. Upon derecognition, any accumulated balances in *Other comprehensive income* are reclassified to the income statement and reported within *Other income.*<br><br>The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:<br>– interest income, which is accounted for in accordance with item 2d in this Note;<br>– ECL and reversals; and<br>– FX translation gains and losses. |

## Note 1 Summary of material accounting policies (continued)

**Classification, measurement and presentation of financial assets**

| Financial assets classification | | Significant items included | Measurement and presentation |
|---|---|---|---|
| **Measured at FVTPL** | Held for trading | Financial assets held for trading include:<br>– all derivatives with a positive replacement value, except those that are designated and effective hedging instruments; and<br>– other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included in this category are debt instruments (including those in the form of securities, money market paper, and traded corporate and bank loans) and equity instruments. | Measured at fair value, with changes recognized in the income statement.<br><br>Derivative assets (including derivatives that are designated and effective hedging instruments) are generally presented as *Derivative financial instruments*, except those exchange-traded (ETD) and over-the-counter (OTC)-cleared derivatives that are legally settled on a daily basis or in substance net settled on a daily basis, which are presented within *Cash collateral receivables on derivative instruments.*<br><br>Changes in fair value, initial transaction costs, dividends and gains and losses arising on disposal or redemption are recognized in *Other net income from financial instruments measured at fair value through profit or loss*, except interest income on instruments other than derivatives (refer to item 2d in this Note), interest on derivatives designated as hedging instruments in hedges of interest rate risk and forward points on certain short- and long-duration FX contracts acting as economic hedges, which are reported in *Net interest income.*<br><br>Changes in the fair value of derivatives that are designated and effective hedging instruments are presented either in the income statement or *Other comprehensive income*, depending on the type of hedge relationship (refer to item 2j in this Note for more information). |
| | Mandatorily measured at FVTPL – Other | This classification includes financial assets mandatorily measured at FVTPL that are not held for trading, as follows:<br>– certain structured loans, certain commercial loans, and receivables from securities financing transactions are managed on a fair value basis;<br>– loans managed on a fair value basis, including those hedged with credit derivatives;<br>– certain debt securities held as HQLA and managed on a fair value basis;<br>– certain investment fund holdings and assets held to hedge delivery obligations related to cash-settled employee compensation plans;<br>– brokerage receivables, for which contractual cash flows do not meet the SPPI criterion because the aggregate balance is accounted for as a single unit of account, with interest being calculated on the individual components;<br>– auction rate securities, for which contractual cash flows do not meet the SPPI criterion because interest may be reset at rates that contain leverage;<br>– equity instruments; and<br>– assets held under unit-linked investment contracts. | |

## Note 1 Summary of material accounting policies (continued)

**Classification, measurement and presentation of financial liabilities**

<table>
<tr><th colspan="2">Financial liabilities classification</th><th>Significant items included</th><th>Measurement and presentation</th></tr>
<tr><td colspan="2">Measured at amortized cost</td><td>This classification includes:<br>– demand and time deposits;<br>– retail savings / deposits;<br>– payables from securities financing transactions;<br>– non-structured fixed-rate bonds;<br>– subordinated debt;<br>– certificates of deposit and covered bonds; and<br>– cash collateral payables on derivative instruments.</td><td>Measured at amortized cost using the effective interest method.<br><br>When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.</td></tr>
<tr><td rowspan="2">Measured at fair value through profit or loss</td><td>Held for trading</td><td>Financial liabilities held for trading include:<br>– all derivatives with a negative replacement value (including certain loan commitments), except those that are designated and effective hedging instruments; and<br>– obligations to deliver financial instruments, such as debt and equity instruments, that UBS has sold to third parties but does not own (short positions).</td><td rowspan="2">Measurement and presentation of financial liabilities classified at FVTPL follow the same principles as for financial assets classified at FVTPL, except that the amount of change in the fair value of a financial liability designated at FVTPL that is attributable to changes in UBS's own credit risk is presented in Other comprehensive income directly within Retained earnings and is never reclassified to the income statement.<br><br>Derivative liabilities (including derivatives that are designated and effective hedging instruments) are generally presented as Derivative financial instruments, except those exchange-traded and OTC-cleared derivatives that are legally settled on a daily basis or in substance net settled on a daily basis, which are presented within Cash collateral payables on derivative instruments.</td></tr>
<tr><td>Designated at FVTPL</td><td>UBS designates at FVTPL the following financial liabilities:<br>– issued hybrid debt instruments that primarily include equity-linked, credit-linked and rates-linked bonds or notes;<br>– issued debt instruments managed on a fair value basis;<br>– certain payables from securities financing transactions;<br>– amounts due under unit-linked investment contracts the cash flows of which are linked to financial assets measured at FVTPL and eliminate an accounting mismatch; and<br>– brokerage payables, which arise in conjunction with brokerage receivables and are measured at FVTPL to achieve measurement consistency.</td></tr>
</table>

## c. Loan commitments and financial guarantees

Loan commitments are arrangements to provide credit under defined terms and conditions. Irrevocable loan commitments are classified as: (i) derivative loan commitments measured at fair value through profit or loss; (ii) loan commitments designated at fair value through profit or loss; or (iii) loan commitments not measured at fair value. Financial guarantee contracts are contracts that require UBS to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument.

## d. Interest income and expense

Interest income and expense are recognized in the income statement based on the effective interest method. When calculating the effective interest rate (the EIR) for financial instruments (other than credit-impaired financial instruments), UBS estimates future cash flows considering all contractual terms of the instrument, but not expected credit losses, with the EIR applied to the gross carrying amount of the financial asset or the amortized cost of a financial liability. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

Upfront fees, including fees on loan commitments not measured at fair value where a loan is expected to be issued, and direct costs are included within the initial measurement of a financial instrument measured at amortized cost or FVOCI and recognized over the expected life of the instrument as part of its EIR.

Fees related to loan commitments where no loan is expected to be issued, as well as loan syndication fees where UBS does not retain a portion of the syndicated loan or where UBS does retain a portion of the syndicated loan at the same effective yield for comparable risk as other participants, are included in *Net fee and commission income* and either recognized over the life of the commitment or when syndication occurs.

› **Refer to item 3 in this Note for more information**

Interest income on financial assets, excluding derivatives, is included in interest income when positive and in interest expense when negative. Similarly, interest expense on financial liabilities, excluding derivatives, is included in interest expense, except when interest rates are negative, in which case it is included in interest income.

› **Refer to item 2b in this Note and Note 3 for more information**

## e. Derecognition

### *Financial assets*

UBS derecognizes a transferred financial asset, or a portion of a financial asset, if the purchaser has received substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset.

Where financial assets have been pledged as collateral or in similar arrangements, they are considered to have been transferred if the counterparty has received the contractual rights to the cash flows of the pledged assets, as may be evidenced by, for example, the counterparty's right to sell or repledge the assets. In transfers where control over the financial asset is retained, UBS continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset following the transfer.

Certain OTC derivative contracts and most exchange-traded futures and option contracts cleared through central clearing counterparties and exchanges are considered to be settled on a daily basis, as the payment or receipt of variation margin on a daily basis represents legal or economic settlement, which results in derecognition of the associated derivatives.

› **Refer to Note 22 and Note 23 for more information**

### *Financial liabilities*

UBS derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is exchanged for a new one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability recognized with any difference in the respective carrying amounts recognized in the income statement.

## f. Fair value of financial instruments

UBS accounts for a significant portion of its assets and liabilities at fair value. Fair value is the price on the measurement date that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market in the absence of a principal market.

› **Refer to Note 21 for more information**

## Note 1 Summary of material accounting policies (continued)

**Critical accounting estimates and judgments**

The use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in the fair valuation of financial instruments requires significant judgment and could affect the amount of gain or loss recorded for a particular position. Valuation techniques that rely more heavily on unobservable inputs and sophisticated models inherently require a higher level of judgment and may require adjustment to reflect factors that market participants would consider in estimating fair value, such as close-out costs, which are presented in Note 21d.

UBS's governance framework over fair value measurement is described in Note 21b, and UBS provides a sensitivity analysis of the estimated effects arising from changing significant unobservable inputs in Level 3 financial instruments to reasonably possible alternative assumptions in Note 21g.

› **Refer to Note 21 for more information**

### g. Allowances and provisions for expected credit losses

ECL are recognized for financial assets measured at amortized cost, financial assets measured at FVOCI, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS's credit card limits and master credit facilities, as UBS is exposed to credit risk because the borrower has the ability to draw down funds before UBS can take credit risk mitigation actions.

*Recognition of expected credit losses*

ECL are recognized on the following basis:

- Stage 1 instruments: Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- Stage 2 instruments: Lifetime ECL are recognized if a significant increase in credit risk (an SICR) is observed subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. When an SICR is no longer observed, the instrument will move back to stage 1.
- Stage 3 instruments: Lifetime ECL are always recognized for credit-impaired financial instruments, as determined by the occurrence of one or more loss events, by estimating expected cash flows based on a chosen recovery strategy. Credit-impaired exposures may include positions for which no allowance has been recognized, for example because they are expected to be fully recoverable through collateral held.
- Changes in lifetime ECL since initial recognition are also recognized for assets that are purchased or originated credit-impaired (POCI). POCI financial instruments include those that are purchased at a deep discount or newly originated with a defaulted counterparty; they remain a separate category until derecognition.

All or part of a financial asset is written off if it is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against related allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to *Credit loss (expense) / release*.

ECL are recognized in the income statement in *Credit loss (expense) / release*. A corresponding ECL allowance is reported as a decrease in the carrying amount of financial assets measured at amortized cost on the balance sheet. For financial assets that are measured at FVOCI, the carrying amount is not reduced, but an accumulated amount is recognized in *Other comprehensive income*. For off-balance sheet financial instruments and other credit lines, provisions for ECL are presented in *Provisions*.

*Default and credit impairment*

UBS applies a single definition of default for credit risk management purposes, regulatory reporting and ECL, with a counterparty classified as defaulted based on quantitative and qualitative criteria.

› **Refer to "Credit policies for distressed assets" in the "Risk management and control" section of this report for more information**

*Measurement of expected credit losses*

IFRS 9 ECL reflect an unbiased, probability-weighted estimate based on loss expectations resulting from default events. The method used to calculate ECL applies the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Parameters are generally determined on an individual financial asset level. Based on the materiality of the portfolio, for credit card exposures and personal account overdrafts in Switzerland, a portfolio approach is applied that derives an average PD and LGD for the entire portfolio. PDs and LGDs used in the ECL calculation are point-in-time (PIT)-based for key portfolios and consider both current conditions and expected cyclical changes. For material portfolios, PDs and LGDs are determined for different scenarios, whereas EAD projections are treated as scenario independent.

For the purpose of determining the ECL-relevant parameters, UBS leverages its Pillar 1 internal ratings-based (IRB) models that are also used in determining expected loss (EL) and risk-weighted assets under the Basel III framework and Pillar 2 stress loss models. Adjustments have been made to these models and IFRS 9-related models have been developed that consider the complexity, structure and risk profile of relevant portfolios and take account of the fact that PDs and LGDs used in the ECL calculation are PIT-based, as opposed to the corresponding Basel III through-the-cycle (TTC) parameters. All models that are relevant for measuring expected credit losses are subject to UBS's model validation and oversight processes.

*Probability of default:* PD represents the probability of a default over a specified time period. A 12-month PD represents the probability of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. PIT PDs are derived from TTC PDs and scenario forecasts. The modeling is region-, industry- and client segment-specific and considers both macroeconomic scenario dependencies and client-idiosyncratic information.

*Exposure at default:* EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring, considering expected repayments, interest payments and accruals, discounted at the EIR. Future drawdowns on facilities are considered through a credit conversion factor (a CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

*Loss given default:* LGD represents an estimate of the loss at the time of a potential default occurring, taking into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is commonly expressed as a percentage of EAD.

### *Estimation of expected credit losses*

*Number of scenarios and estimation of scenario weights*

Determination of probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions, especially with a view to modeling the non-linear effect of assumptions about macroeconomic factors on the estimate.

To accommodate this requirement, UBS uses different economic scenarios in the ECL calculation. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. The estimation of the appropriate weights for these scenarios is predominantly judgement-based. The assessment is based on a holistic review of the prevailing economic or political conditions, which may exhibit different levels of uncertainty. It takes into account the impact of changes in the nature and severity of the underlying scenario narratives and the projected economic variables.

The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur and not that the chosen particular narratives with the related macroeconomic variables will materialize.

*Macroeconomic and other factors*

The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases, requiring an increase in judgment. For cycle-sensitive PD and LGD determination purposes, UBS projects the relevant economic factors for a period of three years before reverting, over a specified period, to cycle-neutral PD and LGD for longer-term projections.

Factors relevant for ECL calculation vary by type of exposure. Regional and client-segment characteristics are generally taken into account, with specific focus on Switzerland and the US, considering UBS's key ECL-relevant portfolios.

For UBS, the following forward-looking macroeconomic variables represent the most relevant factors for ECL calculation:
- GDP growth rates, given their significant effect on borrowers' performance;
- unemployment rates, given their significant effect on private clients' ability to meet contractual obligations;
- house price indices, given their significant effect on mortgage collateral valuations;
- interest rates, given their significant effect on counterparties' abilities to service debt;
- consumer price indices, given their overall relevance for companies' performance, private clients' purchasing power and economic stability; and
- equity indices, given that they are an important factor in our corporate rating tools.

*Scenario generation, review process and governance*

A team of economists, who are part of Group Risk Control, develop the forward-looking macroeconomic assumptions with involvement from a broad range of experts.

The scenarios, their weight and the key macroeconomic and other factors are subject to a critical assessment by the IFRS 9 Scenario Sounding Sessions and ECL Management Forum, which include senior management from Group Risk and Group Finance. Important aspects for the review include whether there may be particular credit risk concerns that may not be capable of being addressed systematically and require post-model adjustments for stage allocation and ECL allowance.

The Group Model Governance Committee, as the highest authority under UBS's model governance framework, ratifies the decisions taken by the ECL Management Forum.

› **Refer to Note 20 for more information**

### *ECL measurement period*

The period for which lifetime ECL are determined is based on the maximum contractual period that UBS is exposed to credit risk, taking into account contractual extension, termination and prepayment options. For irrevocable loan commitments and financial guarantee contracts, the measurement period represents the maximum contractual period for which UBS has an obligation to extend credit.

## Note 1 Summary of material accounting policies (continued)

Additionally, some financial instruments include both an on-demand loan and a revocable undrawn commitment, where the contractual cancellation right does not limit UBS's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS can take risk-mitigating actions. In such cases UBS is required to estimate the period over which it is exposed to credit risk. This applies to UBS's credit card limits, which do not have a defined contractual maturity date, are callable on demand and where the drawn and undrawn components are managed as one exposure. The exposure arising from UBS's credit card limits is not significant and is managed at a portfolio level, with credit actions triggered when balances are past due. An ECL measurement period of seven years is applied for credit card limits, capped at 12 months for stage 1 balances, as a proxy for the period that UBS is exposed to credit risk.

Customary master credit agreements in the Swiss corporate market also include on-demand loans and revocable undrawn commitments. For smaller commercial facilities, a risk-based monitoring (RbM) approach is in place that highlights negative trends as risk events, at an individual facility level, based on a combination of continuously updated risk indicators. The risk events trigger additional credit reviews by a risk officer, enabling informed credit decisions to be taken. Larger corporate facilities are not subject to RbM, but are reviewed at least annually through a formal credit review. UBS has assessed these credit risk management practices and considers both the RbM approach and formal credit reviews as substantive credit reviews resulting in a re-origination of the given facility. Following this, a 12-month measurement period from the reporting date is used for both types of facilities as an appropriate proxy of the period over which UBS is exposed to credit risk, with 12 months also used as a look-back period for assessing SICR, always from the respective reporting date.

*Significant increase in credit risk*

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a maximum 12-month ECL continues to be appropriate, an assessment is made as to whether an SICR has occurred since initial recognition of the financial instrument, applying both quantitative and qualitative factors.

Primarily, UBS assesses changes in an instrument's risk of default on a quantitative basis by comparing the annualized forward-looking and scenario-weighted lifetime PD of an instrument determined at two different dates:

- at the reporting date; and
- at inception of the instrument.

If, based on UBS's quantitative modeling, an increase exceeds a set threshold, an SICR is deemed to have occurred and the instrument is transferred to stage 2 with lifetime ECL recognized.

The threshold applied varies depending on the original credit quality of the borrower, with a higher SICR threshold set for those instruments with a low PD at inception. The SICR assessment based on PD changes is made at an individual financial asset level. A high-level overview of the SICR trigger, which is a multiple of the annualized remaining lifetime PIT PD expressed in rating downgrades, is provided in the "SICR thresholds" table below. The actual SICR thresholds applied are defined on a more granular level by interpolating between the values shown in the table.

**SICR thresholds**

| Internal rating at origination of the instrument | Rating downgrades / SICR trigger |
|---|---|
| 0–3 | 3 |
| 4–8 | 2 |
| 9–13 | 1 |

› **Refer to the "Risk management and control" section of this report for more details about UBS's internal grading system**

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased for an instrument if the contractual payments are more than 30 days past due. For certain less material portfolios, specifically the Swiss credit card portfolio, the 30-day past due criterion is used as the primary indicator of an SICR. Where instruments are transferred to stage 2 due to the 30-day past due criterion, a minimum period of six months is applied before a transfer back to stage 1 can be triggered. For instruments in Personal & Corporate Banking and Global Wealth Management Region Switzerland that are between 90 and 180 days past due but have not been reclassified to stage 3, a one-year period is applied before a transfer back to stage 1 can be triggered.

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for an SICR. Exception management is further applied, allowing for individual and collective adjustments on exposures sharing the same credit risk characteristics to take account of specific situations that are not otherwise fully reflected.

In general, the overall SICR determination process does not apply to Lombard loans, securities financing transactions and certain other asset-based lending transactions, because of the risk management practices adopted, including daily monitoring processes with strict margining. If margin calls are not satisfied, a position is closed out and classified as a stage 3 position. In exceptional cases, an individual adjustment and a transfer into stage 2 may be made to take account of specific facts.

Credit risk officers are responsible for the identification of an SICR, which for accounting purposes is in some respects different from internal credit risk management processes. This difference mainly arises because ECL accounting requirements are instrument-specific, such that a borrower can have multiple exposures allocated to different stages, and maturing loans in stage 2 will migrate to stage 1 upon renewal irrespective of the actual credit risk at that time. Under a risk-based approach, a holistic counterparty credit assessment and the absolute level of risk at any given date will determine what risk-mitigating actions may be warranted.

› **Refer to the "Risk management and control" section of this report for more information**

**Critical accounting estimates and judgments**

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that can result in significant changes to the timing and amount of ECL recognized.

*Determination of a significant increase in credit risk*
IFRS 9 does not include a definition of what constitutes an SICR, with UBS's assessment considering qualitative and quantitative criteria. An IFRS 9 ECL Management Forum has been established to review and challenge the SICR results.

*Scenarios, scenario weights and macroeconomic variables*
ECL reflect an unbiased and probability-weighted amount, which UBS determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios that include relevant macroeconomic variables and management's assumptions around future economic conditions. IFRS 9 Scenario Sounding Sessions, in addition to the IFRS 9 ECL Management Forum, are in place to derive, review and challenge the scenario selection and weights, and to determine whether any additional post-model adjustments are required that may significantly affect ECL.

*ECL measurement period*
Lifetime ECL are generally determined based upon the contractual maturity of the transaction, which significantly affects ECL. For credit card limits and Swiss callable master credit facilities, judgment is required, as UBS must determine the period over which it is exposed to credit risk. A seven-year period is applied for credit card limits, capped at 12 months for stage 1 positions, and a 12-month period applied for master credit facilities.

*Modeling and post-model adjustments*
A number of complex models have been developed or modified to calculate ECL, with additional post-model adjustments required which may significantly affect ECL. The models are governed by UBS's model validation controls and approved by the Group Model Governance Committee (the GMGC). The post-model adjustments are approved by the ECL Management Forum and endorsed by the GMGC.

A sensitivity analysis covering key macroeconomic variables, scenario weights and SICR trigger points on ECL measurement is provided in Note 20f.

› **Refer to Note 20 for more information**

## h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS may grant concessions to borrowers in financial difficulties that it would not consider in the normal course of its business, such as preferential interest rates, extension of maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc. When a concession or forbearance measure is granted, each case is considered individually and the exposure is generally classified as being in default. Forbearance classification will remain until the loan is collected or written off, non-preferential conditions superseding preferential conditions are granted or until the counterparty has recovered and the preferential conditions no longer exceed UBS's risk tolerance.

Modifications result in an alteration of future contractual cash flows and can occur within UBS's normal risk tolerance or as part of a credit restructuring where a counterparty is in financial difficulties. The restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying amount of the given financial asset is recognized in the income statement as a modification gain or loss.

## i. Offsetting

UBS presents financial assets and liabilities on its balance sheet net if (i) it has a legally enforceable right to set off the recognized amounts and (ii) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Netted positions include, for example, certain derivatives and repurchase and reverse repurchase transactions with various counterparties, exchanges and clearing houses.

In assessing whether UBS intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously, emphasis is placed on the effectiveness of operational settlement mechanics in eliminating substantially all credit and liquidity exposure between the counterparties. This condition precludes offsetting on the balance sheet for substantial amounts of UBS's financial assets and liabilities, even though they may be subject to enforceable netting arrangements. Repurchase arrangements and securities financing transactions are presented net only to the extent that the settlement mechanism eliminates, or results in insignificant, credit and liquidity risk, and processes the receivables and payables in a single settlement process or cycle.

› **Refer to Note 22 for more information**

**Note 1 Summary of material accounting policies (continued)**

j. Hedge accounting

The Group applies hedge accounting requirements of IFRS 9, unless stated otherwise below, where the criteria for documentation and hedge effectiveness are met. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Voluntary discontinuation of hedge accounting is permitted under IAS 39 but not under IFRS 9.

*Fair value hedges of interest rate risk related to debt instruments and loan assets*

The fair value change of the hedged item attributable to a hedged risk is reflected as an adjustment to the carrying amount of the hedged item, and recognized in the income statement along with the change in the fair value of the hedging instrument.

*Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39*

Prior to discontinuation in December 2021, the fair value change of the hedged item attributable to a hedged risk is reflected within *Other financial assets measured at amortized cost* or *Other financial liabilities measured at amortized cost* and recognized in the income statement along with the change in the fair value of the hedging instrument.

*Fair value hedges of FX risk related to debt instruments*

The fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation and accounted for as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item.

*Discontinuation of fair value hedges*

Discontinuations for reasons other than derecognition of the hedged item result in an adjustment to the carrying amount, which is amortized to the income statement over the remaining life of the hedged item using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment or deferred cost of hedging amount is recognized immediately in the income statement as part of any derecognition gain or loss.

*Cash flow hedges of forecast transactions*

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity* and reclassified to the income statement in the periods when the hedged forecast cash flows affect profit or loss, including discontinued hedges for which forecast cash flows are expected to occur. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

*Hedges of net investments in foreign operations*

Gains or losses on the hedging instrument relating to the effective portion of a hedge are recognized directly in *Other comprehensive income* within *Equity,* while any gains or losses relating to the ineffective and / or undesignated portion (for example, the interest element of a forward contract) are recognized in the income statement. Upon disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized in *Equity* associated with the entity is reclassified to *Other income*.

*Interest Rate Benchmark Reform*

UBS can continue hedge accounting during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. During this period, UBS can assume that the current benchmark rates will continue to exist, such that forecast transactions are considered highly probable and hedge relationships remain, with little or no consequential impact on the financial statements. Upon replacement of existing interest rate benchmarks by alternative risk-free interest rates expected in 2021 and beyond, UBS will apply the requirements of *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2).*

› **Refer to Note 1b for more information**

## 3) Fee and commission income and expenses

UBS earns fee income from the diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as management of clients' assets, custody services and certain advisory services; and fees earned from point-in-time services, such as underwriting fees, deal-contingent merger and acquisitions fees, and brokerage fees (e.g., securities and derivatives execution and clearing). UBS recognizes fees earned from point-in-time services when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement.

Consideration received is allocated to the separately identifiable performance obligations in a contract. Owing to the nature of UBS's business, contracts that include multiple performance obligations are typically those that are considered to include a series of similar performance obligations fulfilled over time with the same pattern of transfer to the client, e.g., management of client assets and custodial services. As a consequence, UBS is not required to apply significant judgment in allocating the consideration received across the various performance obligations.

Point-in-time services are generally for a fixed price or dependent on deal size, e.g., a fixed number of basis points of trade size, where the amount of revenue is known when the performance obligation is met. Fixed over-time fees are recognized on a straight-line basis over the performance period. Custodial and asset management fees can be variable through reference to the size of the customer portfolio. However, they are generally billed on a monthly or quarterly basis once the customer's portfolio size is known or known with near certainty and therefore also recognized ratably over the performance period. UBS does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS's control until such uncertainties are resolved.

UBS's fees are generally earned from short-term contracts. As a result, UBS's contracts do not include a financing component or result in the recognition of significant receivables or prepayment assets. Furthermore, due to the short-term nature of such contracts, UBS has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS presents expenses primarily in line with their nature in the income statement, differentiating between expenses that are directly attributable to the satisfaction of specific performance obligations associated with the generation of revenues, which are generally presented within *Total operating income* as *Fee and commission expense*, and those that are related to personnel, general and administrative expenses, which are presented within *Total operating expenses*. For derivatives execution and clearing services (where UBS acts as an agent), UBS only records its specific fees in the income statement, with fees payable to other parties not recognized as an expense but instead directly offset against the associated income collected from the given client.

› **Refer to Note 4 for more information, including the disaggregation of revenues**

## 4) Share-based and other deferred compensation plans

UBS recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, for example in the case of employees affected by restructuring programs or mutually agreed termination provisions, recognition of such expense is accelerated to the termination date. Where no future service is required, such as for employees who are eligible for retirement or who have met certain age and length-of-service criteria, the services are presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle awards, immediately on the grant date.

### Share-based compensation plans

Share-based compensation expense is measured by reference to the fair value of the equity instruments on the date of grant, taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions.

For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions.

For equity-settled awards, forfeiture events resulting from a breach of a non-vesting condition (i.e., one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense.

For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

### Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

› **Refer to Note 28 for more information**

**Note 1 Summary of material accounting policies (continued)**

## 5) Post-employment benefit plans

### Defined benefit plans

Defined benefit plans specify an amount of benefit that an employee will receive, which usually depends on one or more factors, such as age, years of service and compensation. The defined benefit liability recognized in the balance sheet is the present value of the defined benefit obligation, measured using the projected unit credit method, less the fair value of the plan's assets at the balance sheet date, with changes resulting from remeasurements recorded immediately in *Other comprehensive income*. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Calculation of the net defined benefit obligation or asset takes into account the specific features of each plan, including risk sharing between employee and employer, and is calculated periodically by independent qualified actuaries.

**Critical accounting estimates and judgments**

The net defined benefit liability or asset at the balance sheet date and the related personnel expense depend on the expected future benefits to be provided, determined using a number of economic and demographic assumptions. A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit liability or asset and pension expense recognized. The most significant assumptions include life expectancy, discount rate, expected salary increases, pension increases and interest credits on retirement savings account balances. Sensitivity analysis for reasonable possible movements in each significant assumption for UBS's post-employment obligations is provided in Note 27.

› **Refer to Note 27 for more information**

### Defined contribution plans

A defined contribution plan pays fixed contributions into a separate entity from which post-employment and other benefits are paid. UBS has no legal or constructive obligation to pay further amounts if the plan does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. Compensation expense is recognized when the employees have rendered services in exchange for contributions. This is generally in the year of contribution. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

## 6) Income taxes

UBS is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS has business operations.

The Group's provision for income taxes is composed of current and deferred taxes. Current income taxes represent taxes to be paid or refunded for the current period or previous periods.

Deferred taxes are recognized for temporary differences between the carrying amounts and tax bases of assets and liabilities that will result in taxable or deductible amounts in future periods and are measured using the applicable tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and that will be in effect when such differences are expected to reverse.

Deferred tax assets arise from a variety of sources, the most significant being: (i) tax losses that can be carried forward to be used against profits in future years; and (ii) temporary differences that will result in deductions against profits in future years. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable profits will be available against which these differences can be used. When an entity or tax group has a history of recent losses, deferred tax assets are only recognized to the extent there are sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the balance sheet that reflect the expectation that certain items will give rise to taxable income in future periods.

Deferred and current tax assets and liabilities are offset when: (i) they arise in the same tax reporting group; (ii) they relate to the same tax authority; (iii) the legal right to offset exists; and (iv) they are intended to be settled net or realized simultaneously.

Current and deferred taxes are recognized as income tax benefit or expense in the income statement, except for current and deferred taxes recognized in relation to: (i) the acquisition of a subsidiary (for which such amounts would affect the amount of goodwill arising from the acquisition); (ii) gains and losses on the sale of treasury shares (for which the tax effects are recognized directly in *Equity*); (iii) unrealized gains or losses on financial instruments that are classified at FVOCI; (iv) changes in fair value of derivative instruments designated as cash flow hedges; (v) remeasurements of defined benefit plans; or (vi) certain foreign currency translations of foreign operations. Amounts relating to points (iii) through (vi) above are recognized in *Other comprehensive income* within *Equity*.

UBS reflects the potential effect of uncertain tax positions for which acceptance by the relevant tax authority is not considered probable by adjusting current or deferred taxes, as applicable, using either the most likely amount or expected value methods, depending on which method is deemed a better predictor of the basis on which, and extent to which, the uncertainty will be resolved.

**Critical accounting estimates and judgments**

Tax laws are complex, and judgment and interpretations about the application of such laws are required when accounting for income taxes. UBS considers the performance of its businesses and the accuracy of historical forecasts and other factors when evaluating the recoverability of its deferred tax assets, including the remaining tax loss carry-forward period, and its assessment of expected future taxable profits in the forecast period used for recognizing deferred tax assets. Estimating future profitability and business plan forecasts is inherently subjective and is particularly sensitive to future economic, market and other conditions.

Forecasts are reviewed annually, but adjustments may be made at other times, if required. If recent losses have been incurred, convincing evidence is required to prove there is sufficient future profitability given the value of UBS's deferred tax assets may be affected, with effects primarily recognized through the income statement.

In addition, judgment is required to assess the expected value of uncertain tax positions and the related probabilities, including interpretation of tax laws, the resolution of any income tax-related appeals and litigation.

› **Refer to Note 8 for more information**

## 7) Property, equipment and software

Property, equipment and software is measured at cost less accumulated depreciation and impairment losses. Software development costs are capitalized only when the costs can be measured reliably and it is probable that future economic benefits will arise. Depreciation of property, equipment and software begins when they are available for use and is calculated on a straight line basis over an asset's estimated useful life.

Property, equipment and software are generally tested for impairment at the appropriate cash-generating unit level, alongside goodwill and intangible assets as described in item 8 in this Note. An impairment charge is recognized for such assets if the recoverable amount is below its carrying amount. The recoverable amounts of such assets, other than property that has a market price, are generally determined using a replacement cost approach that reflects the amount that would be currently required by a market participant to replace the service capacity of the asset. If such assets are no longer used, they are tested individually for impairment.

› **Refer to Note 12 for more information**

## 8) Goodwill

Goodwill represents the excess of the consideration over the fair value of identifiable assets, liabilities and contingent liabilities acquired that arises in a business combination. Goodwill is not amortized, but is assessed for impairment at the end of each reporting period, or when indicators of impairment exist. UBS tests goodwill for impairment annually, irrespective of whether there is any indication of impairment.

An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount.

**Critical accounting estimates and judgments**

UBS's methodology for goodwill impairment testing is based on a model that is most sensitive to the following key assumptions: (i) forecasts of earnings available to shareholders in years one to three; (ii) changes in the discount rates; and (iii) changes in the long-term growth rate.

Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors. The discount rates and growth rates are determined using external information, and also considering inputs from both internal and external analysts and the view of management.

The key assumptions used to determine the recoverable amounts of each cash-generating unit are tested for sensitivity by applying reasonably possible changes to those assumptions.

› **Refer to Notes 2 and 13 for more information**

## 9) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount, and are generally recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, when: (i) UBS has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

The majority of UBS's provisions relate to litigation, regulatory and similar matters, restructuring, and employee benefits. Restructuring provisions are generally recognized as a consequence of management agreeing to materially change the scope of the business or the manner in which it is conducted, including changes in management structures. Provisions for employee benefits relate mainly to service anniversaries and sabbatical leave, and are recognized in accordance with measurement principles set out in item 4 in this Note. In addition, UBS presents expected credit loss allowances within *Provisions* if they relate to a loan commitment, financial guarantee contract or a revolving revocable credit line.

IAS 37 provisions are measured considering the best estimate of the consideration required to settle the present obligation at the balance sheet date.

When conditions required to recognize a provision are not met, a contingent liability is disclosed, unless the likelihood of an outflow of resources is remote. Contingent liabilities are also disclosed for possible obligations that arise from past events the existence of which will be confirmed only by uncertain future events not wholly within the control of UBS.

**Note 1 Summary of material accounting policies (continued)**

**Critical accounting estimates and judgments**

Recognition of provisions often involves significant judgment in assessing the existence of an obligation that results from past events and in estimating the probability, timing and amount of any outflows of resources. This is particularly the case for litigation, regulatory and similar matters, which, due to their nature, are subject to many uncertainties, making their outcome difficult to predict.

The amount of any provision recognized is sensitive to the assumptions used and there could be a wide range of possible outcomes for any particular matter.

Management regularly reviews all the available information regarding such matters, including legal advice, to assess whether the recognition criteria for provisions have been satisfied and to determine the timing and amount of any potential outflows.

› **Refer to Note 18 for more information**

## 10) Foreign currency translation

Transactions denominated in a foreign currency are translated into the functional currency of the reporting entity at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets, including those at FVOCI, and monetary liabilities denominated in foreign currency are translated into the functional currency using the closing exchange rate. Translation differences are reported in *Other net income from financial instruments measured at fair value through profit or loss*.

Non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction.

Upon consolidation, assets and liabilities of foreign operations are translated into US dollars, UBS's presentation currency, at the closing exchange rate on the balance sheet date, and income and expense items and other comprehensive income are translated at the average rate for the period. The resulting foreign currency translation differences are recognized in *Equity* and reclassified to the income statement when UBS disposes of, partially or in its entirety, the foreign operation and UBS no longer controls the foreign operation.

Share capital issued, share premium and treasury shares held are translated at the historic average rate, with the difference between the historic average rate and the spot rate realized upon repayment of share capital or disposal of treasury shares reported as *Share premium*. Cumulative amounts recognized in *Other comprehensive income* in respect of cash flow hedges and financial assets measured at FVOCI are translated at the closing exchange rate as of the balance sheet dates, with any translation effects adjusted through *Retained earnings*.

› **Refer to Note 33 for more information**

## 11) Equity, treasury shares and contracts on UBS Group AG shares

### UBS Group AG shares held (treasury shares)

UBS Group AG shares held by the Group, including those purchased as part of market-making activities, are presented in *Equity* as *Treasury shares* at their acquisition cost and are deducted from *Equity* until they are canceled or reissued. The difference between the proceeds from sales of treasury shares and their weighted average cost (net of tax, if any) is reported as *Share premium*.

### Net cash settlement contracts

Contracts involving UBS Group AG shares that require net cash settlement, or provide the counterparty or UBS with a settlement option that includes a choice of settling net in cash, are classified as derivatives held for trading.

## b) Changes in accounting policies, comparability and other adjustments

### Amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*

Effective from 1 January 2021, UBS early adopted amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*, issued by IASB in February 2021. The disclosure of material accounting policies in Note 1a has been refined through adopting these amendments.

### Amendments to IAS 39, IFRS 9 and IFRS 7 (*Interest Rate Benchmark Reform – Phase 2*)

On 1 January 2021, UBS adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced. The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates (ARRs) to be accounted for prospectively by updating a given instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. UBS has adopted the amendments, which had no material effect on the Group's financial statements.

The amendments also provide various hedge accounting reliefs, with the following adopted by UBS:

– Designate an ARR as a non-contractually specified risk component, even if it is not separately identifiable at the date when it was designated, provided UBS can reasonably expect that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. As of 31 December 2021, the principal ARRs that UBS has designated as the hedged risk in fair value hedges of interest rate risk related to debt instruments, mortgages and cash flow hedges of forecast transactions were the Secured Overnight Financing Rate (SOFR), the Swiss Average Rate Overnight (SARON) and the Sterling Overnight Index Average (SONIA).
– Amend hedge documentation for the fair value hedges of interest rate risk related to debt instruments for which the hedged risk changed due to IBOR reform, which allowed UBS to continue the hedge relationship in accordance with the requirements of the phase 2 amendment.
– The cash flow hedges of IBOR forecast transactions in Swiss francs and pounds sterling were discontinued and replaced with new ARR designations in December 2021. The amount accumulated in the cash flow hedge reserve is deemed to be based on the ARR on which the hedged future cash flows will be based. Amounts will be released to the income statement when the forecast ARR cash flows affect the income statement or are no longer expected to occur.

› **Refer to Note 26 for more information**

The amendments also introduced additional disclosure requirements regarding the Group's management of the transition to alternative benchmark rates, its progress as at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

› **Refer to Note 25 for more information**

## c) International Financial Reporting Standards and Interpretations to be adopted in 2022 and later and other changes

### IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. UBS is assessing the standard, but does not expect it to have a material effect on the Group's financial statements.

**Note 2a Segment reporting**

UBS's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions, the four business divisions reflect the management structure of the Group.

- **Global Wealth Management** provides financial services, advice and solutions to private clients, in particular in the ultra high net worth and high net worth segments. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. The business division is managed globally across the regions.
- **Personal & Corporate Banking** serves its private, corporate, and institutional clients' needs, from basic banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- **Asset Management** is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients globally.
- The **Investment Bank** provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offering includes advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.
- **Group Functions** is made up of the following major areas: Group Services (which consists of Technology, Corporate Services, Human Resources, Finance, Legal, Risk Control, Compliance, Regulatory & Governance, Communications & Branding and Group Sustainability and Impact), Group Treasury and Non-core and Legacy Portfolio.

Financial information about the four business divisions and Group Functions is presented separately in internal management reports to the Group Executive Board (the GEB), which is considered the "chief operating decision maker" pursuant to IFRS 8, *Operating Segments*.

UBS's internal accounting policies, which include management accounting policies and service level agreements, determine the revenues and expenses directly attributable to each reportable segment. Transactions between the reportable segments are carried out at internally agreed rates and are reflected in the operating results of the reportable segments. Revenue-sharing agreements are used to allocate external client revenues to reportable segments where several reportable segments are involved in the value creation chain. Total intersegment revenues for the Group are immaterial, as the majority of the revenues are allocated across the segments by means of revenue-sharing agreements. Interest income earned from managing UBS's consolidated equity is allocated to the reportable segments based on average attributed equity and currency composition. Assets and liabilities of the reportable segments are funded through and invested with Group Functions, and the net interest margin is reflected in the results of each reportable segment.

Segment assets are based on a third-party view and do not include intercompany balances. This view is in line with internal reporting to the GEB. If one operating segment is involved in an external transaction together with another operating segment or Group Functions, additional criteria are considered to determine the segment that will report the associated assets. This will include a consideration of which segment's business needs are being addressed by the transaction and which segment is providing the funding and / or resources. Allocation of liabilities follows the same principles.

Non-current assets disclosed for segment reporting purposes represent assets that are expected to be recovered more than 12 months after the reporting date, excluding financial instruments, deferred tax assets and post-employment benefits.

## Note 2a Segment reporting (continued)

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | | | |
| Net interest income | 4,244 | 2,120 | (15) | 481 | (127) | 6,705 |
| Non-interest income | 15,175 | 2,143 | 2,632 | 8,972 | (233) | 28,689 |
| Income | 19,419 | 4,263 | 2,617 | 9,454 | (359) | 35,393 |
| Credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| Total operating income | 19,449 | 4,349 | 2,616 | 9,488 | (360) | 35,542 |
| Total operating expenses | 14,665 | 2,618 | 1,586 | 6,858 | 330 | 26,058 |
| Operating profit / (loss) before tax | 4,783 | 1,731 | 1,030 | 2,630 | (689) | 9,484 |
| Tax expense / (benefit) | | | | | | 1,998 |
| Net profit / (loss) | | | | | | 7,486 |
| Additional information | | | | | | |
| Total assets | 395,235 | 225,370 | 25,639 | 346,431 | 124,507 | 1,117,182 |
| Additions to non-current assets | 56 | 16 | 1 | 30 | 1,989 | 2,091 |

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
|---|---|---|---|---|---|---|
| For the year ended 31 December 2020 | | | | | | |
| Net interest income | 4,027 | 2,049 | (17) | 284 | (481) | 5,862 |
| Non-interest income[1] | 13,107 | 1,858 | 2,993 | 9,235 | 30 | 27,222 |
| Income | 17,134 | 3,908 | 2,975 | 9,519 | (452) | 33,084 |
| Credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (694) |
| Total operating income | 17,045 | 3,651 | 2,974 | 9,214 | (494) | 32,390 |
| Total operating expenses | 13,026 | 2,392 | 1,519 | 6,732 | 567 | 24,235 |
| Operating profit / (loss) before tax | 4,019 | 1,259 | 1,455 | 2,482 | (1,060) | 8,155 |
| Tax expense / (benefit) | | | | | | 1,583 |
| Net profit / (loss) | | | | | | 6,572 |
| Additional information | | | | | | |
| Total assets | 367,714 | 231,657 | 28,589 | 369,683 | 128,122 | 1,125,765 |
| Additions to non-current assets | 5 | 12 | 385 | 150 | 2,294 | 2,847 |

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2019** | | | | | | |
| Net interest income | 3,947 | 1,992 | (25) | (669) | (744) | 4,501 |
| Non-interest income | 12,426 | 1,744 | 1,962 | 7,968 | 367 | 24,467 |
| Income | 16,373 | 3,736 | 1,938 | 7,299 | (378) | 28,967 |
| Credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |
| Total operating income | 16,353 | 3,715 | 1,938 | 7,269 | (385) | 28,889 |
| Total operating expenses | 12,955 | 2,274 | 1,406 | 6,485 | 192 | 23,312 |
| Operating profit / (loss) before tax | 3,397 | 1,441 | 532 | 784 | (577) | 5,577 |
| Tax expense / (benefit) | | | | | | 1,267 |
| Net profit / (loss) | | | | | | 4,310 |
| Additional information | | | | | | |
| Total assets | 309,766 | 209,405 | 34,565 | 315,855 | 102,603 | 972,194 |
| Additions to non-current assets | 68 | 10 | 0 | 1 | 5,217 | 5,297 |

1 Includes a USD 631 million net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG), of which USD 571 million was recognized in Asset Management and USD 60 million was recognized in Global Wealth Management.

## Note 2b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of the Group. The allocation of operating income to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the given client and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio in Group Functions, are managed at a Group level. These revenues are included in the *Global* line.

The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

**For the year ended 31 December 2021**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 14.5 | 41 | 9.0 | 44 |
| *of which: USA* | *13.5* | *38* | *8.5* | *41* |
| Asia Pacific | 6.5 | 18 | 1.5 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 20 | 2.9 | 14 |
| Switzerland | 7.9 | 22 | 7.1 | 35 |
| Global | (0.3) | (1) | 0.0 | 0 |
| Total | 35.5 | 100 | 20.5 | 100 |

**For the year ended 31 December 2020**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 13.0 | 40 | 9.0 | 42 |
| *of which: USA* | *11.7* | *36* | *8.4* | *40* |
| Asia Pacific | 6.0 | 18 | 1.5 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 6.5 | 20 | 3.0 | 14 |
| Switzerland | 6.9 | 21 | 7.6 | 36 |
| Global | 0.1 | 0 | 0.0 | 0 |
| Total | 32.4 | 100 | 21.1 | 100 |

**For the year ended 31 December 2019**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 12.0 | 42 | 8.9 | 44 |
| *of which: USA* | *10.9* | *38* | *8.5* | *42* |
| Asia Pacific | 4.7 | 16 | 1.4 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 5.8 | 20 | 3.0 | 15 |
| Switzerland | 6.7 | 23 | 7.1 | 35 |
| Global | (0.3) | (1) | 0.0 | 0 |
| Total | 28.9 | 100 | 20.3 | 100 |

# Income statement notes

## Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,431 | 1,299 | 1,011 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,850 | 6,960 | 6,842 |
| *of which: net gains / (losses) from financial liabilities designated at fair value[1]* | *(6,582)* | *1,509* | *(8,748)* |
| Total net income from financial instruments measured at fair value through profit or loss | 7,281 | 8,259 | 7,853 |
| **Net interest income** | | | |
| Interest income from loans and deposits[2] | 6,488 | 6,690 | 8,008 |
| Interest income from securities financing transactions[3] | 513 | 862 | 2,005 |
| Interest income from other financial instruments measured at amortized cost | 284 | 335 | 364 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 115 | 101 | 120 |
| Interest income from derivative instruments designated as cash flow hedges | 1,133 | 822 | 188 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 8,533 | 8,810 | 10,684 |
| Interest expense on loans and deposits[4] | 523 | 1,031 | 2,634 |
| Interest expense on securities financing transactions[5] | 1,102 | 870 | 1,152 |
| Interest expense on debt issued | 1,533 | 2,237 | 3,285 |
| Interest expense on lease liabilities | 102 | 110 | 122 |
| Total interest expense from financial instruments measured at amortized cost | 3,259 | 4,247 | 7,194 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,274 | 4,563 | 3,490 |
| Total net interest income from financial instruments measured at fair value through profit or loss | 1,431 | 1,299 | 1,011 |
| Total net interest income | 6,705 | 5,862 | 4,501 |

1 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Other net income from financial instruments measured at fair value through profit or loss. 2021 included net losses of USD 2,068 million (net losses of USD 72 million and USD 1,830 million in 2020 and 2019, respectively), driven by financial liabilities related to unit-linked investment contracts, which are designated at fair value through profit or loss. This was offset by net gains of USD 2,068 million (net gains of USD 72 million and USD 1,830 million in 2020 and 2019, respectively), related to financial assets for unit-linked investment contracts that are mandatorily measured at fair value through profit or loss not held for trading. 2 Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 3 Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. 4 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, and customer deposits, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. 5 Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions.

## Note 4 Net fee and commission income

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Fee and commission income | | | |
| Underwriting fees | 1,463 | 1,085 | 741 |
| M&A and corporate finance fees | 1,102 | 736 | 774 |
| Brokerage fees | 4,382 | 4,132 | 3,248 |
| Investment fund fees | 5,790 | 5,289 | 4,858 |
| Portfolio management and related services | 9,762 | 8,009 | 7,656 |
| Other | 1,874 | 1,710 | 1,832 |
| Total fee and commission income[1] | 24,372 | 20,961 | 19,110 |
| *of which: recurring* | *15,410* | *13,009* | *12,544* |
| *of which: transaction-based* | *8,692* | *7,491* | *6,402* |
| *of which: performance-based* | *269* | *461* | *163* |
| Fee and commission expense | | | |
| Brokerage fees paid | 259 | 274 | 310 |
| Distribution fees paid | 611 | 589 | 590 |
| Other | 1,115 | 912 | 797 |
| Total fee and commission expense | 1,985 | 1,775 | 1,696 |
| Net fee and commission income | 22,387 | 19,186 | 17,413 |
| *of which: net brokerage fees* | *4,123* | *3,858* | *2,938* |

1 For the year ended 31 December 2021, reflects third-party fee and commission income of USD 14,545 million for Global Wealth Management, USD 1,644 million for Personal & Corporate Banking, USD 3,337 million for Asset Management, USD 4,814 million for the Investment Bank and USD 33 million for Group Functions (for the year ended 31 December 2020: USD 12,475 million for Global Wealth Management, USD 1,426 million for Personal & Corporate Banking, USD 3,129 million for Asset Management, USD 3,882 million for the Investment Bank and USD 49 million for Group Functions; for the year ended 31 December 2019: USD 11,694 million for Global Wealth Management, USD 1,307 million for Personal & Corporate Banking, USD 2,659 million for Asset Management, USD 3,355 million for the Investment Bank and USD 94 million for Group Functions).

## Note 5 Other income

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Associates, joint ventures and subsidiaries | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries[1] | (11) | 635[2] | (36) |
| Net gains / (losses) from disposals of investments in associates | 41 | 0 | 4 |
| Share of net profits of associates and joint ventures | 105 | 84 | 46 |
| Impairments related to associates | 0 | 0 | (1) |
| Total | 135 | 719 | 13 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | 9 | 40 | 31 |
| Income from properties[3] | 23 | 26 | 27 |
| Net gains / (losses) from properties held for sale | 100[4] | 76[5] | (19) |
| Other | 185[6] | 216[7] | 160 |
| Total other income | 452 | 1,076 | 212 |

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. 2 Includes a USD 631 million net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG). 3 Includes rent received from third parties. 4 Mainly relates to the sale of a property in Basel. 5 Includes net gains of USD 140 million arising from sale-and-leaseback transactions, primarily related to a property in Geneva, partly offset by remeasurement losses relating to properties that were reclassified as held for sale. 6 Includes a gain of USD 100 million from the sale of UBS's domestic wealth management business in Austria. Refer to Note 30 for more information. 7 Includes a USD 215 million gain on the sale of intellectual property rights associated with the Bloomberg Commodity Index family.

## Note 6 Personnel expenses

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Salaries[1] | 7,339 | 7,023 | 6,518 |
| Variable compensation – performance awards[2] | 3,190 | 3,209[3] | 2,755 |
| Variable compensation – other[2] | 229 | 220 | 246 |
| Financial advisor compensation[2,4] | 4,860 | 4,091 | 4,043 |
| Contractors | 381 | 375 | 381 |
| Social security | 978 | 899[3] | 799 |
| Post-employment benefit plans[5] | 833[6] | 845 | 787 |
| *of which: defined benefit plans* | *470* | *502* | *461* |
| *of which: defined contribution plans* | *363* | *343* | *326* |
| Other personnel expenses | 576 | 561[3] | 555 |
| Total personnel expenses | 18,387 | 17,224 | 16,084 |

1 Includes role-based allowances. 2 Refer to Note 28 for more information. 3 During 2020, UBS modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 280 million, of which USD 240 million is disclosed within Variable compensation – performance awards, USD 20 million within Social security and USD 20 million within Other personnel expenses. 4 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 5 Refer to Note 27 for more information. 6 Includes curtailment gains of USD 80 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

## Note 7 General and administrative expenses[1]

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Outsourcing costs | 893 | 951 | 1,072 |
| IT expenses | 1,055 | 949 | 860 |
| Consulting, legal and audit fees | 540 | 646 | 850 |
| Real estate and logistics costs | 634 | 671 | 662 |
| Market data services | 417 | 413 | 414 |
| Marketing and communication | 242 | 217 | 270 |
| Travel and entertainment | 72 | 84 | 298 |
| Litigation, regulatory and similar matters[2] | 911 | 197 | 165 |
| Other | 788 | 757 | 696 |
| *of which: UK and German bank levies[3]* | *58* | *55* | *41* |
| Total general and administrative expenses | 5,553 | 4,885 | 5,288 |

1 In 2021, UBS changed the presentation of the line items within general and administrative expenses. Prior-period information reflects the new presentation structure, with no effect on Total general and administrative expenses. 2 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 18 for more information. Also, includes recoveries from third parties of USD 1 million in 2021 (USD 3 million and USD 11 million in 2020 and 2019, respectively). 3 UK bank levy expenses of USD 22 million (USD 38 million for 2020 and USD 30 million for 2019) included a credit of USD 16 million (USD 27 million for 2020 and USD 31 million for 2019) related to prior years.

## Note 8 Income taxes

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Tax expense / (benefit)** | | | |
| Swiss | | | |
| Current | 680 | 482 | 365 |
| Deferred | 34 | 116 | 265 |
| Total Swiss | 714 | 598 | 630 |
| Non-Swiss | | | |
| Current | 884 | 749 | 426 |
| Deferred | 400 | 236 | 211 |
| Total non-Swiss | 1,284 | 985 | 637 |
| Total income tax expense / (benefit) recognized in the income statement | 1,998 | 1,583 | 1,267 |

### Income tax recognized in the income statement

Income tax expenses of USD 1,998 million were recognized for the Group in 2021, representing an effective tax rate of 21.1%. These included Swiss tax expenses of USD 714 million and non-Swiss tax expenses of USD 1,284 million.

The Swiss tax expenses included current tax expenses of USD 680 million related to taxable profits of UBS Switzerland AG and other Swiss entities. They also included deferred tax expenses of USD 34 million, which reflect movements in temporary differences.

The non-Swiss tax expenses included current tax expenses of USD 884 million related to taxable profits earned by non-Swiss subsidiaries and branches, and net deferred tax expenses of USD 400 million. Expenses of USD 734 million, which primarily related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., were partly offset by a benefit of USD 334 million in respect of the remeasurement of DTAs. This benefit included upward revaluations of DTAs of USD 152 million for certain entities, primarily in connection with our business planning process. It also included USD 113 million in respect of additional DTA recognition that primarily related to the contribution of real estate assets by UBS AG to UBS Americas Inc. and UBS Financial Services Inc., which allowed the full recognition of DTAs in respect of the associated historic real estate costs that were previously capitalized for US tax purposes under elections that were made in the fourth quarter of 2018. In addition, it included USD 69 million in respect of an increase in the expected value of future tax deductions for deferred compensation awards, due to an increase in the Group's share price during the year.

The pre-tax expense that was recognized in the year in respect of the increase in litigation provisions for the French cross-border matter did not result in any tax benefit.

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Operating profit / (loss) before tax | 9,484 | 8,155 | 5,577 |
| *of which: Swiss* | *3,334* | *3,403* | *2,571* |
| *of which: non-Swiss* | *6,150* | *4,752* | *3,006* |
| Income taxes at Swiss tax rate of 18.5% for 2021, 19.5% for 2020 and 20.5% for 2019 | 1,755 | 1,590 | 1,143 |
| Increase / (decrease) resulting from: | | | |
| Non-Swiss tax rates differing from Swiss tax rate | 234 | 110 | 82 |
| Tax effects of losses not recognized | 124 | 144 | 131 |
| Previously unrecognized tax losses now utilized | (179) | (212) | (265) |
| Non-taxable and lower-taxed income | (278) | (394) | (351) |
| Non-deductible expenses and additional taxable income | 510 | 385 | 732 |
| Adjustments related to prior years – current tax | (40) | (67) | (5) |
| Adjustments related to prior years – deferred tax | (10) | 12 | (6) |
| Change in deferred tax recognition | (342) | (381) | (294) |
| Adjustments to deferred tax balances arising from changes in tax rates | (5) | 234 | (9) |
| Other items | 231 | 161 | 107 |
| Income tax expense / (benefit) | 1,998 | 1,583 | 1,267 |

## Note 8 Income taxes (continued)

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss tax rate, are provided in the table on the previous page and explained below.

| Component | Description |
|---|---|
| **Non-Swiss tax rates differing from Swiss tax rate** | To the extent that Group profits or losses arise outside Switzerland, the applicable local tax rate may differ from the Swiss tax rate. This item reflects, for such profits, an adjustment from the tax expense that would arise at the Swiss tax rate to the tax expense that would arise at the applicable local tax rate. Similarly, it reflects, for such losses, an adjustment from the tax benefit that would arise at the Swiss tax rate to the tax benefit that would arise at the applicable local tax rate. |
| **Tax effects of losses not recognized** | This item relates to tax losses of entities arising in the year that are not recognized as DTAs and where no tax benefit arises in relation to those losses. Therefore, the tax benefit calculated by applying the local tax rate to those losses as described above is reversed. |
| **Previously unrecognized tax losses now utilized** | This item relates to taxable profits of the year that are offset by tax losses of previous years for which no DTAs were previously recorded. Consequently, no current tax or deferred tax expense arises in relation to those taxable profits and the tax expense calculated by applying the local tax rate on those profits is reversed. |
| **Non-taxable and lower-taxed income** | This item relates to tax deductions for the year in respect of permanent differences. These include deductions in respect of profits that are either not taxable or are taxable at a lower rate of tax than the local tax rate. They also include deductions made for tax purposes, which are not reflected in the accounts. |
| **Non-deductible expenses and additional taxable income** | This item relates to additional taxable income for the year in respect of permanent differences. These include income that is recognized for tax purposes by an entity but is not included in its profit that is reported in the financial statements, as well as expenses for the year that are non-deductible (e.g., client entertainment costs are not deductible in certain locations). |
| **Adjustments related to prior years – current tax** | This item relates to adjustments to current tax expense for prior years (e.g., if the tax payable for a year is agreed with the tax authorities in an amount that differs from the amount previously reflected in the financial statements). |
| **Adjustments related to prior years – deferred tax** | This item relates to adjustments to deferred tax positions recognized in prior years (e.g., if a tax loss for a year is fully recognized and the amount of the tax loss agreed with the tax authorities is expected to differ from the amount previously recognized as DTAs in the accounts). |
| **Change in deferred tax recognition** | This item relates to changes in DTAs, including changes in DTAs previously recognized resulting from reassessments of expected future taxable profits. It also includes changes in temporary differences in the year, for which deferred tax is not recognized. |
| **Adjustments to deferred tax balances arising from changes in tax rates** | This item relates to remeasurements of DTAs and liabilities recognized due to changes in tax rates. These have the effect of changing the future tax saving that is expected from tax losses or deductible tax differences and therefore the amount of DTAs recognized or, alternatively, changing the tax cost of additional taxable income from taxable temporary differences and therefore the deferred tax liability. |
| **Other items** | Other items include other differences between profits or losses at the local tax rate and the actual local tax expense or benefit, including movements in provisions for uncertain positions in relation to the current year and other items. |

### Income tax recognized directly in equity

A net tax benefit of USD 479 million was recognized in *Other comprehensive income* (2020: net expense of USD 237 million) and a net tax expense of USD 88 million was recognized in *Share premium* (2020: benefit of USD 18 million).

## Note 8 Income taxes (continued)

### Deferred tax assets and liabilities

The Group has gross DTAs, valuation allowances and recognized DTAs related to tax loss carry-forwards and deductible temporary differences, and also deferred tax liabilities in respect of taxable temporary differences, as shown in the table below. The valuation allowances reflect DTAs that were not recognized because, as of the last remeasurement period, management did not consider it probable that there would be sufficient future taxable profits available to utilize the related tax loss carry-forwards and deductible temporary differences.

The recognition of DTAs is supported by forecasts of taxable profits for the entities concerned. In addition, tax planning opportunities are available that would result in additional future taxable income and these would be utilized, if necessary.

Deferred tax liabilities are recognized in respect of investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that the Group can control the timing of the reversal of the associated taxable temporary difference and it is probable that such will not reverse in the foreseeable future. However, as of 31 December 2021, this exception was not considered to apply to any taxable temporary differences.

| *USD million* | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| **Deferred tax assets**[1] | Gross | Valuation allowance | Recognized | Gross | Valuation allowance | Recognized |
| Tax loss carry-forwards | 13,636 | (9,193) | 4,443 | 14,108 | (8,715) | 5,393 |
| Temporary differences | 5,133 | (700) | 4,433 | 4,384 | (565) | 3,819 |
| *of which: related to real estate costs capitalized for US tax purposes* | *2,272* | *0* | *2,272* | *2,268* | *0* | *2,268* |
| *of which: related to compensation and benefits* | *1,222* | *(209)* | *1,013* | *1,128* | *(173)* | *955* |
| *of which: other* | *1,639* | *(491)* | *1,148* | *989* | *(392)* | *564* |
| Total deferred tax assets | 18,769 | (9,893) | 8,876[2] | 18,492 | (9,280) | 9,212[2] |
| *of which: related to the US* | | | *8,521* | | | *8,780* |
| *of which: related to other locations* | | | *355* | | | *431* |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Cash flow hedges | | | 118 | | | 425 |
| Other | | | 183 | | | 139 |
| Total deferred tax liabilities | | | 300 | | | 564 |

1 After offset of DTLs, as applicable. 2 As of 31 December 2021, the Group recognized DTAs of USD 77 million (31 December 2020: USD 138 million) in respect of entities that incurred losses in either the current or preceding year.

In general, US federal tax losses incurred prior to 31 December 2017 can be carried forward for 20 years. However, US federal tax losses incurred after 31 December 2017 and UK tax losses can be carried forward indefinitely, although the utilization of such losses is limited to 80% of the entity's future year taxable profits for the US and generally to 25% thereof for the UK. The amounts of US tax loss carry-forwards that are included in the table below are based on their amount for federal tax purposes rather than for state and local tax purposes.

**Unrecognized tax loss carry-forwards**

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Within 1 year | 141 | 146 |
| From 2 to 5 years | 1,026 | 638 |
| From 6 to 10 years | 13,283 | 13,257 |
| From 11 to 20 years | 2,093 | 3,858 |
| No expiry | 18,147 | 17,227 |
| Total | 34,690 | 35,127 |
| *of which: related to the US*[1] | *14,870* | *16,256* |
| *of which: related to the UK* | *14,909* | *13,848* |
| *of which: related to other locations* | *4,911* | *5,023* |

1 Related to UBS AG's US branch.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement

The tables on the following pages provide information about financial instruments and certain credit lines that are subject to expected credit loss (ECL) requirements. UBS's ECL disclosure segments or "ECL segments" are aggregated portfolios based on shared risk characteristics and on the same or similar rating methods applied. The key segments are presented in the table below.

› **Refer to Note 20 for more information about expected credit loss measurement**

| Segment | Segment description | Description of credit risk sensitivity | Business division / Group Functions |
|---|---|---|---|
| **Private clients with mortgages** | Lending to private clients secured by owner-occupied real estate and personal account overdrafts of those clients | Sensitive to the interest rate environment, unemployment levels, real estate collateral values and other regional aspects | – Personal & Corporate Banking<br>– Global Wealth Management |
| **Real estate financing** | Rental or income-producing real estate financing to private and corporate clients secured by real estate | Sensitive to unemployment levels, the interest rate environment, real estate collateral values and other regional aspects | – Personal & Corporate Banking<br>– Global Wealth Management<br>– Investment Bank |
| **Large corporate clients** | Lending to large corporate and multi-national clients | Sensitive to GDP developments, unemployment levels, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | – Personal & Corporate Banking<br>– Investment Bank |
| **SME clients** | Lending to small and medium-sized corporate clients | Sensitive to GDP developments, unemployment levels, the interest rate environment and, to some extent, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | – Personal & Corporate Banking |
| **Lombard** | Loans secured by pledges of marketable securities, guarantees and other forms of collateral | Sensitive to equity and debt markets (e.g., changes in collateral values) | – Global Wealth Management |
| **Credit cards** | Credit card solutions in Switzerland and the US | Sensitive to unemployment levels | – Personal & Corporate Banking<br>– Global Wealth Management |
| **Commodity trade finance** | Working capital financing of commodity traders, generally extended on a self-liquidating transactional basis | Sensitive primarily to the strength of individual transaction structures and collateral values (price volatility of commodities), as the primary source for debt service is directly linked to the shipments financed | – Personal & Corporate Banking |
| **Financial intermediaries and hedge funds** | Lending to financial institutions and pension funds, including exposures to broker-dealers and clearing houses | Sensitive to GDP development, the interest rate environment, price and volatility risks in financial markets, and regulatory and political risk | – Personal & Corporate Banking<br>– Investment Bank |

› **Refer to Note 20f for more details regarding sensitivity**

**Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)**

The tables below and on the following pages provide ECL exposure and ECL allowance and provision information about financial instruments and certain non-financial instruments that are subject to ECL.

| *USD million* | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 192,817 | 192,817 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,480 | 15,453 | 26 | 1 | (8) | (7) | (1) | 0 |
| Receivables from securities financing transactions | 75,012 | 75,012 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 30,514 | 30,514 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 397,761 | 380,564 | 15,620 | 1,577 | (850) | (126) | (152) | (572) |
| *of which: Private clients with mortgages* | *152,479* | *143,505* | *8,262* | *711* | *(132)* | *(28)* | *(71)* | *(33)* |
| *of which: Real estate financing* | *43,945* | *40,463* | *3,472* | *9* | *(60)* | *(19)* | *(40)* | *0* |
| *of which: Large corporate clients* | *13,990* | *12,643* | *1,037* | *310* | *(170)* | *(22)* | *(16)* | *(133)* |
| *of which: SME clients* | *14,004* | *12,076* | *1,492* | *436* | *(259)* | *(19)* | *(15)* | *(225)* |
| *of which: Lombard* | *149,283* | *149,255* | *0* | *27* | *(33)* | *(6)* | *0* | *(28)* |
| *of which: Credit cards* | *1,716* | *1,345* | *342* | *29* | *(36)* | *(10)* | *(9)* | *(17)* |
| *of which: Commodity trade finance* | *3,813* | *3,799* | *7* | *7* | *(114)* | *(6)* | *0* | *(108)* |
| Other financial assets measured at amortized cost | 26,209 | 25,718 | 302 | 189 | (109) | (27) | (7) | (76) |
| *of which: Loans to financial advisors* | *2,453* | *2,184* | *106* | *163* | *(86)* | *(19)* | *(3)* | *(63)* |
| Total financial assets measured at amortized cost | 737,794 | 720,079 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,844 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 746,638 | 728,923 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |

| | Total exposure | | | | ECL provisions | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet (in scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 20,972 | 19,695 | 1,127 | 150 | (41) | (18) | (8) | (15) |
| *of which: Large corporate clients* | *3,464* | *2,567* | *793* | *104* | *(6)* | *(3)* | *(3)* | *0* |
| *of which: SME clients* | *1,353* | *1,143* | *164* | *46* | *(8)* | *(1)* | *(1)* | *(7)* |
| *of which: Financial intermediaries and hedge funds* | *9,575* | *9,491* | *84* | *0* | *(17)* | *(13)* | *(4)* | *0* |
| *of which: Lombard* | *2,454* | *2,454* | *0* | *0* | *(1)* | *0* | *0* | *(1)* |
| *of which: Commodity trade finance* | *3,137* | *3,137* | *0* | *0* | *(1)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 39,478 | 37,097 | 2,335 | 46 | (114) | (72) | (42) | 0 |
| *of which: Large corporate clients* | *23,922* | *21,811* | *2,102* | *9* | *(100)* | *(66)* | *(34)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 1,444 | 1,444 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 40,778 | 38,207 | 2,508 | 63 | (38) | (28) | (10) | 0 |
| *of which: Real estate financing* | *7,328* | *7,046* | *281* | *0* | *(5)* | *(4)* | *(1)* | *0* |
| *of which: Large corporate clients* | *5,358* | *4,599* | *736* | *23* | *(7)* | *(4)* | *(3)* | *0* |
| *of which: SME clients* | *5,160* | *4,736* | *389* | *35* | *(15)* | *(11)* | *(3)* | *0* |
| *of which: Lombard* | *8,670* | *8,670* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Credit cards* | *9,466* | *9,000* | *462* | *4* | *(6)* | *(5)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *117* | *117* | *0* | *0* | *0* | *0* | *0* | *0* |
| Irrevocable committed prolongation of existing loans | 5,611 | 5,527 | 36 | 48 | (3) | (3) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 108,284 | 101,971 | 6,006 | 307 | (196) | (121) | (60) | (15) |
| Total allowances and provisions | | | | | (1,165) | (282) | (220) | (662) |

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| *USD million* | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 158,231 | 158,231 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,444 | 15,260 | 184 | 0 | (16) | (9) | (5) | (1) |
| Receivables from securities financing transactions | 74,210 | 74,210 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 32,737 | 32,737 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 379,528 | 356,948 | 20,341 | 2,240 | (1,060) | (142) | (215) | (703) |
| *of which: Private clients with mortgages* | *148,175* | *138,769* | *8,448* | *959* | *(166)* | *(35)* | *(93)* | *(39)* |
| *of which: Real estate financing* | *43,429* | *37,568* | *5,838* | *23* | *(63)* | *(15)* | *(44)* | *(4)* |
| *of which: Large corporate clients* | *15,161* | *12,658* | *2,029* | *474* | *(279)* | *(27)* | *(40)* | *(212)* |
| *of which: SME clients* | *14,872* | *11,990* | *2,254* | *628* | *(310)* | *(19)* | *(23)* | *(268)* |
| *of which: Lombard* | *133,850* | *133,795* | *0* | *55* | *(36)* | *(5)* | *0* | *(31)* |
| *of which: Credit cards* | *1,558* | *1,198* | *330* | *30* | *(38)* | *(11)* | *(11)* | *(16)* |
| *of which: Commodity trade finance* | *3,269* | *3,214* | *43* | *12* | *(106)* | *(5)* | *0* | *(101)* |
| Other financial assets measured at amortized cost | 27,194 | 26,377 | 348 | 469 | (133) | (34) | (9) | (90) |
| *of which: Loans to financial advisors* | *2,569* | *1,982* | *137* | *450* | *(108)* | *(27)* | *(5)* | *(76)* |
| Total financial assets measured at amortized cost | 687,345 | 663,763 | 20,873 | 2,709 | (1,211) | (187) | (229) | (795) |
| Financial assets measured at fair value through other comprehensive income | 8,258 | 8,258 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 695,603 | 672,021 | 20,873 | 2,709 | (1,211) | (187) | (229) | (795) |

| | Total exposure | | | | ECL provisions | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet (in scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 17,081 | 14,687 | 2,225 | 170 | (63) | (14) | (15) | (34) |
| *of which: Large corporate clients* | *3,710* | *2,048* | *1,549* | *113* | *(20)* | *(4)* | *(5)* | *(12)* |
| *of which: SME clients* | *1,310* | *936* | *326* | *48* | *(13)* | *(1)* | *(1)* | *(11)* |
| *of which: Financial intermediaries and hedge funds* | *7,637* | *7,413* | *224* | *0* | *(17)* | *(7)* | *(9)* | *0* |
| *of which: Lombard* | *641* | *633* | *0* | *8* | *(2)* | *0* | *0* | *(2)* |
| *of which: Commodity trade finance* | *1,441* | *1,416* | *25* | *0* | *(2)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 41,372 | 36,894 | 4,374 | 104 | (142) | (74) | (68) | 0 |
| *of which: Large corporate clients* | *24,209* | *20,195* | *3,950* | *64* | *(121)* | *(63)* | *(58)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 3,247 | 3,247 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 40,134 | 35,233 | 4,792 | 108 | (50) | (29) | (21) | 0 |
| *of which: Real estate financing* | *6,328* | *5,811* | *517* | *0* | *(12)* | *(5)* | *(7)* | *0* |
| *of which: Large corporate clients* | *4,909* | *2,783* | *2,099* | *27* | *(9)* | *(2)* | *(7)* | *0* |
| *of which: SME clients* | *5,827* | *4,596* | *1,169* | *63* | *(16)* | *(12)* | *(4)* | *0* |
| *of which: Lombard* | *9,671* | *9,671* | *0* | *0* | *0* | *(1)* | *0* | *0* |
| *of which: Credit cards* | *8,661* | *8,220* | *430* | *11* | *(8)* | *(6)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *242* | *242* | *0* | *0* | *0* | *0* | *0* | *0* |
| Irrevocable committed prolongation of existing loans | 3,282 | 3,277 | 5 | 0 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 105,116 | 93,337 | 11,396 | 382 | (257) | (119) | (104) | (34) |
| Total allowances and provisions | | | | | (1,468) | (306) | (333) | (829) |

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of *Loans and advances to customers* and *Loans to financial advisors*.

These ratios are influenced by the following key factors:

- Lombard loans are generally secured with marketable securities in portfolios that are, as a rule, highly diversified, with strict lending policies that are intended to ensure that credit risk is minimal under most circumstances;
- mortgage loans to private clients and real estate financing are controlled by conservative eligibility criteria, including low loan-to-value ratios and strong debt service capabilities;
- the amount of unsecured retail lending (including credit cards) is insignificant;
- lending in Switzerland includes government-backed COVID-19 loans;
- contractual maturities in the loan portfolio, which are a factor in the calculation of ECLs, are generally short, with Lombard lending typically having average contractual maturities of 12 months or less, real estate lending generally between 2 years and 3 years in Switzerland with longer dated maturities in the US and corporate lending between 1 to 2 years with related loan commitments up to 4 years; and
- write-offs of ECL allowances against the gross loan balances when all or part of a financial asset is deemed uncollectible or forgiven, reduces the coverage ratios.

**Coverage ratios for core loan portfolio**

| | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | |
| On-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 152,610 | 143,533 | 8,333 | 744 | 9 | 2 | 85 | 446 |
| Real estate financing | 44,004 | 40,483 | 3,512 | 10 | 14 | 5 | 114 | 231 |
| Large corporate clients | 14,161 | 12,665 | 1,053 | 443 | 120 | 18 | 148 | 2,997 |
| SME clients | 14,263 | 12,095 | 1,507 | 661 | 182 | 16 | 103 | 3,402 |
| Lombard | 149,316 | 149,261 | 0 | 55 | 2 | 0 | 0 | 5,026 |
| Credit cards | 1,752 | 1,355 | 351 | 46 | 204 | 72 | 255 | 3,735 |
| Commodity trade finance | 3,927 | 3,805 | 7 | 115 | 290 | 15 | 3 | 9,388 |
| Other loans and advances to customers | 18,578 | 17,493 | 1,010 | 75 | 25 | 9 | 15 | 3,730 |
| Loans to financial advisors | 2,539 | 2,203 | 109 | 226 | 338 | 88 | 303 | 2,791 |
| Total[1] | 401,150 | 382,893 | 15,882 | 2,374 | 23 | 4 | 98 | 2,673 |

| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 9,123 | 8,798 | 276 | 49 | 3 | 3 | 9 | 15 |
| Real estate financing | 8,766 | 8,481 | 285 | 0 | 9 | 7 | 88 | 0 |
| Large corporate clients | 32,748 | 28,981 | 3,630 | 136 | 34 | 25 | 110 | 1 |
| SME clients | 8,077 | 7,276 | 688 | 114 | 38 | 19 | 151 | 585 |
| Lombard | 14,438 | 14,438 | 0 | 0 | 1 | 0 | 0 | 0 |
| Credit cards | 9,466 | 9,000 | 462 | 4 | 7 | 5 | 34 | 0 |
| Commodity trade finance | 3,262 | 3,262 | 0 | 0 | 4 | 4 | 0 | 0 |
| Financial intermediaries and hedge funds | 12,153 | 11,784 | 369 | 0 | 15 | 12 | 120 | 0 |
| Other off-balance sheet commitments | 8,806 | 8,507 | 296 | 4 | 15 | 6 | 30 | 0 |
| Total[2] | 106,840 | 100,527 | 6,006 | 307 | 18 | 12 | 100 | 486 |

1 Includes Loans and advances to customers of USD 398,611 million and Loans to financial advisors of USD 2,539 million which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| **Coverage ratios for core loan portfolio** | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | |
| On-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 148,341 | 138,803 | 8,540 | 998 | 11 | 2 | 108 | 390 |
| Real estate financing | 43,492 | 37,583 | 5,883 | 27 | 15 | 4 | 75 | 1,414 |
| Large corporate clients | 15,440 | 12,684 | 2,069 | 686 | 181 | 21 | 192 | 3,089 |
| SME clients | 15,183 | 12,010 | 2,277 | 896 | 204 | 16 | 101 | 2,991 |
| Lombard | 133,886 | 133,800 | 0 | 86 | 3 | 0 | 0 | 3,592 |
| Credit cards | 1,596 | 1,209 | 342 | 46 | 240 | 91 | 333 | 3,488 |
| Commodity trade finance | 3,375 | 3,219 | 43 | 113 | 315 | 16 | 2 | 8,939 |
| Other loans and advances to customers | 19,274 | 17,781 | 1,402 | 91 | 31 | 14 | 25 | 3,563 |
| Loans to financial advisors | 2,677 | 2,009 | 142 | 526 | 404 | 135 | 351 | 1,446 |
| Total[1] | 383,266 | 359,099 | 20,697 | 3,470 | 30 | 5 | 106 | 2,247 |

| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 6,285 | 6,083 | 198 | 3 | 7 | 6 | 16 | 197 |
| Real estate financing | 7,056 | 6,576 | 481 | 0 | 21 | 9 | 185 | 0 |
| Large corporate clients | 32,828 | 25,026 | 7,598 | 205 | 46 | 27 | 92 | 565 |
| SME clients | 9,121 | 7,239 | 1,734 | 148 | 40 | 19 | 63 | 779 |
| Lombard | 14,178 | 14,170 | 0 | 8 | 2 | 1 | 0 | 1,941 |
| Credit cards | 8,661 | 8,220 | 430 | 11 | 9 | 8 | 44 | 0 |
| Commodity trade finance | 1,683 | 1,658 | 25 | 0 | 10 | 8 | 15 | 8,279 |
| Financial intermediaries and hedge funds | 7,690 | 7,242 | 448 | 0 | 26 | 13 | 248 | 166 |
| Other off-balance sheet commitments | 14,366 | 13,876 | 482 | 8 | 13 | 7 | 11 | 12,414 |
| Total[2] | 101,869 | 90,090 | 11,396 | 382 | 25 | 13 | 91 | 894 |

1 Includes Loans and advances to customers of USD 380,589 million and Loans to financial advisors of USD 2,677 million which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Note 10 Derivative instruments

### Overview

Over-the-counter (OTC) derivative contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) master agreement between UBS and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA. Other OTC derivatives are cleared through clearing houses, in particular interest rate swaps with LCH, where a settled-to-market method has been generally adopted, under which cash collateral exchanged on a daily basis is considered to legally settle the market value of the derivatives. Regulators in various jurisdictions have begun a phased introduction of rules requiring the payment and collection of initial and variation margins on certain OTC derivative contracts, which may have a bearing on price and other relevant terms. Due to challenges brought on by COVID-19, the International Organization of Securities Commissions (IOSCO) has extended the deadline for completion of the final phase-in of margin requirements for non-centrally cleared derivatives, to 1 September 2022.

Other derivative contracts are standardized in terms of their amounts and settlement dates, and are bought and sold on regulated exchanges. These are commonly referred to as exchange-traded derivatives (ETD) contracts. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value and, consequently, reduced credit risk.

Most of the Group's derivative transactions relate to sales and market-making activity. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Market-making aims to directly support the facilitation and execution of client activity, and involves quoting bid and offer prices to other market participants with the aim of generating revenues based on spread and volume. The Group also uses various derivative instruments for hedging purposes.

› **Refer to Notes 16 and 21 for more information about derivative instruments**

› **Refer to Note 26 for more information about derivatives designated in hedge accounting relationships**

### Risks of derivative instruments

The derivative financial assets shown on the balance sheet can be an important component of the Group's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of the Group's credit exposure in its derivatives business with that counterparty. This is generally the case because, on the one hand, replacement values can increase over time (potential future exposure), while, on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements. Both the exposure measures used internally by the Group to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

› **Refer to Note 22 for more information about derivative financial assets and liabilities after consideration of netting potential allowed under enforceable netting arrangements**

› **Refer to the "Risk management and control" section of this report for more information about the risks arising from derivative instruments**

## Note 10 Derivative instruments (continued)

### Derivative instruments

| | 31.12.21 | | | | | 31.12.20 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *USD billion* | Derivative financial assets | Notional amounts related to derivative financial assets[2,3] | Derivative financial liabilities | Notional amounts related to derivative financial liabilities[2,3] | Other notional amounts[2,4] | Derivative financial assets | Notional amounts related to derivative financial assets[2,3] | Derivative financial liabilities | Notional amounts related to derivative financial liabilities[2,3] | Other notional amounts[2,4] |
| Interest rate contracts | 33.2 | 991.2 | 28.7 | 943.1 | 8,675.1 | 50.9 | 928.0 | 43.9 | 880.4 | 11,291.5 |
| *of which: forward contracts (OTC)*[1] | *0.1* | *29.4* | *0.2* | *28.6* | *443.6* | *0.0* | *19.8* | *0.4* | *21.9* | *2,602.5* |
| *of which: swaps (OTC)* | *26.4* | *394.3* | *19.2* | *344.1* | *7,549.4* | *40.8* | *407.0* | *30.9* | *364.8* | *8,105.2* |
| *of which: options (OTC)* | *6.6* | *545.2* | *9.2* | *553.6* | | *10.1* | *447.5* | *12.5* | *460.5* | |
| *of which: futures (ETD)* | | | | | *525.0* | | | | | *480.6* |
| *of which: options (ETD)* | *0.0* | *22.4* | *0.0* | *16.8* | *157.1* | *0.0* | *53.6* | *0.0* | *33.1* | *103.3* |
| Credit derivative contracts | 1.4 | 44.7 | 1.8 | 46.3 | | 2.4 | 57.6 | 2.9 | 64.8 | |
| *of which: credit default swaps (OTC)* | *1.3* | *39.4* | *1.6* | *44.1* | | *2.2* | *53.6* | *2.6* | *62.3* | |
| *of which: total return swaps (OTC)* | *0.1* | *1.3* | *0.2* | *1.7* | | *0.1* | *1.9* | *0.3* | *2.5* | |
| Foreign exchange contracts | 53.3 | 3,030.8 | 54.1 | 2,938.8 | 1.2 | 68.7 | 2,951.1 | 70.5 | 2,820.4 | 1.4 |
| *of which: forward contracts (OTC)* | *23.8* | *1,008.9* | *23.8* | *1,043.2* | | *27.3* | *779.1* | *29.0* | *853.3* | |
| *of which: swaps (OTC)* | *24.3* | *1,606.3* | *24.9* | *1,480.3* | | *34.3* | *1,727.3* | *34.4* | *1,567.3* | |
| *of which: options (OTC)* | *5.2* | *412.6* | *5.3* | *408.6* | | *7.1* | *440.9* | *7.1* | *394.7* | |
| Equity contracts | 28.2 | 456.9 | 34.9 | 603.9 | 80.1 | 34.8 | 449.6 | 41.2 | 581.3 | 91.3 |
| *of which: swaps (OTC)* | *4.7* | *105.7* | *9.3* | *154.8* | | *6.4* | *89.4* | *9.8* | *108.4* | |
| *of which: options (OTC)* | *4.6* | *61.4* | *6.5* | *102.3* | | *7.0* | *87.1* | *10.9* | *146.2* | |
| *of which: futures (ETD)* | | | | | *71.2* | | | | | *67.9* |
| *of which: options (ETD)* | *10.2* | *289.6* | *9.8* | *346.3* | *8.8* | *10.7* | *273.1* | *11.3* | *326.8* | *23.5* |
| *of which: client-cleared transactions (ETD)* | *8.6* | | *9.4* | | | *10.7* | | *9.1* | | |
| Commodity contracts | 1.6 | 57.8 | 1.6 | 56.4 | 14.7 | 2.2 | 57.8 | 2.0 | 49.7 | 10.1 |
| *of which: swaps (OTC)* | *0.5* | *19.9* | *0.8* | *25.4* | | *0.5* | *17.7* | *0.8* | *18.0* | |
| *of which: options (OTC)* | *0.4* | *14.0* | *0.2* | *10.4* | | *1.0* | *23.5* | *0.7* | *17.8* | |
| *of which: futures (ETD)* | | | | | *13.9* | | | | | *9.3* |
| *of which: forward contracts (ETD)* | *0.0* | *18.1* | *0.0* | *15.2* | | *0.0* | *8.0* | *0.0* | *6.3* | |
| *of which: client-cleared transactions (ETD)* | *0.6* | | *0.4* | | | *0.5* | | *0.3* | | |
| Loan commitments measured at FVTPL (OTC) | 0.0 | 0.8 | 0.0 | 8.2 | | | | 0.0 | 10.2 | |
| Unsettled purchases of non-derivative financial instruments[5] | 0.1 | 13.3 | 0.2 | 10.6 | | 0.3 | 18.3 | 0.2 | 10.0 | |
| Unsettled sales of non-derivative financial instruments[5] | 0.2 | 18.2 | 0.1 | 9.4 | | 0.2 | 17.2 | 0.3 | 12.9 | |
| Total derivative instruments, based on IFRS netting[6] | 118.1 | 4,613.8 | 121.3 | 4,616.6 | 8,771.1 | 159.6 | 4,479.5 | 161.1 | 4,429.7 | 11,394.4 |

1 Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. 2 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional amounts of the netted derivative financial instruments are still presented on a gross basis. 3 Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have significantly different risk profile. 4 Other notional amounts relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 5 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 6 Derivative financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 22 for more information on netting arrangements.

On a notional amount basis, approximately 40% of OTC interest rate contracts held as of 31 December 2021 (31 December 2020: 50%) mature within one year, 36% (31 December 2020: 30%) within one to five years and 25% (31 December 2020: 20%) after five years.

Notional amounts of interest rate contracts cleared through either a central counterparty or an exchange that are legally settled on a daily basis are presented under *Other notional amounts* in the table above and are categorized into maturity buckets on the basis of contractual maturities of the cleared underlying derivative contracts. Other notional amounts related to interest rate contracts decreased by USD 2.6 trillion compared with 31 December 2020, mainly reflecting trade compressions, which included activity as part of the ongoing transition to alternative reference rates, and maturities.

## Note 11 Financial assets measured at fair value through other comprehensive income

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income[1] | | |
| Debt instruments | | |
| Governments and government agencies | 8,522 | 8,155 |
| *of which: USA* | *7,507* | *7,727* |
| Banks | 322 | 103 |
| Total financial assets measured at fair value through other comprehensive income | 8,844 | 8,258 |
| Unrealized gains / (losses) recognized in Other comprehensive income | | |
| Unrealized gains, before tax | 67 | 204 |
| Unrealized (losses), before tax | (80) | (4) |
| Net unrealized gains / (losses), before tax | (13) | 200 |
| Net unrealized gains / (losses), after tax | (7) | 151 |

1 Refer to Note 21c for more information about product type and fair value hierarchy categorization. Refer also to Note 9 and Note 20 for more information about expected credit loss measurement.

## Note 12 Property, equipment and software

### At historical cost less accumulated depreciation

| *USD million* | Owned properties and equipment[1] | Leased properties and equipment[2] | Software | Projects in progress | 2021 | 2020 |
|---|---|---|---|---|---|---|
| Historical cost | | | | | | |
| Balance at the beginning of the year | 13,185 | 4,249 | 7,768 | 1,036 | 26,238 | 24,431 |
| Additions | 273 | 213 | 228 | 1,376 | 2,090 | 2,312 |
| Disposals / write-offs[3] | (430) | (223) | (98) | 0 | (751) | (990) |
| Reclassifications[4] | 323 | 0 | 808 | (1,149) | (18) | (590) |
| Foreign currency translation | (303) | (66) | (64) | (12) | (445) | 1,074 |
| Balance at the end of the year | 13,048 | 4,174 | 8,642 | 1,250 | 27,113 | 26,238 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 8,060 | 1,082 | 3,987 | 0 | 13,129 | 11,628 |
| Depreciation | 635 | 498 | 945 | 0 | 2,078 | 1,997 |
| Impairment[5] | 9 | 1 | 0 | 0 | 10 | 72 |
| Disposals / write-offs[3] | (424) | (215) | (98) | 0 | (737) | (855) |
| Reclassifications[4] | (12) | 0 | 0 | 0 | (12) | (328) |
| Foreign currency translation | (196) | (20) | (28) | 0 | (243) | 616 |
| Balance at the end of the year | 8,072 | 1,346 | 4,807 | 0 | 14,225 | 13,129 |
| | | | | | | |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 5,126 | 3,167 | 3,780 | 1,036 | 13,109 | 12,804 |
| Net book value at the end of the year | 4,976 | 2,828 | 3,835 | 1,250[6] | 12,888 | 13,109 |

1 Includes leasehold improvements and IT hardware. 2 Represents right-of-use assets recognized by UBS as lessee. UBS predominantly enters into lease contracts, or contracts that include lease components, in relation to real estate, including offices, retail branches and sales offices. The total cash outflow for leases during 2021 was USD 657 million (2020: USD 679 million). Interest expense on lease liabilities is included within Interest expense from financial instruments measured at amortized cost and Lease liabilities are included within Other financial liabilities measured at amortized cost. Refer to Notes 3 and 19a, respectively. There were no material gains or losses arising from sale-and-leaseback transactions in 2021 (2020: USD 140 million). 3 Includes write-offs of fully depreciated assets. 4 The total reclassification amount for the respective periods represents net reclassifications to Properties and other non-current assets held for sale. 5 Impairment charges recorded in 2021 generally relate to assets that are no longer used, for which the recoverable amount based on a value in use approach was determined to be zero. 6 Consists of USD 1,087 million related to software and USD 163 million related to Owned properties and equipment.

## Introduction

UBS performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS considers Asset Management, as it is reported in Note 2a, as a separate cash-generating unit (a CGU), as that is the level at which the performance of investment (and the related goodwill) is reviewed and assessed by management. Given that a significant amount of goodwill in Global Wealth Management relates to the PaineWebber acquisition in 2000, which mainly affected the Americas portion of the business, this goodwill remains separately monitored by the Americas, despite the formation of Global Wealth Management in 2018. Therefore, goodwill for Global Wealth Management is separately considered for impairment at the level of two CGUs: Americas; and Switzerland and International (consisting of EMEA, Asia Pacific and Global).

The impairment test is performed for each CGU to which goodwill is allocated by comparing the recoverable amount, based on its value in use, with the carrying amount of the respective CGU. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

As of 31 December 2021, total goodwill recognized on the balance sheet was USD 6.1 billion, of which USD 3.7 billion was carried by the Global Wealth Management Americas CGU, USD 1.2 billion was carried by the Global Wealth Management Switzerland and International CGU, and USD 1.2 billion was carried by Asset Management. Based on the impairment testing methodology described below, UBS concluded that the goodwill balances as of 31 December 2021 allocated to these CGUs are not impaired.

## Methodology for goodwill impairment testing

The recoverable amounts are determined using a discounted cash flow model, which has been adapted to use inputs that consider features of the banking business and its regulatory environment. The recoverable amount of a CGU is the sum of the discounted earnings attributable to shareholders from the first three forecast years and the terminal value, adjusted for the effect of the capital assumed to be needed over the next three years and to support growth beyond that period. The terminal value, which covers all periods beyond the third year, is calculated on the basis of the forecast of third-year profit, the discount rate and the long-term growth rate, as well as the implied perpetual capital growth.

The carrying amount for each CGU is determined by reference to the Group's equity attribution framework. Within this framework, which is described in the "Capital, liquidity and funding, and balance sheet" section of this report, UBS attributes equity to the businesses on the basis of their risk-weighted assets and leverage ratio denominator (both metrics include resource allocations from Group Functions to the business divisions), their goodwill and their intangible assets, as well as attributed equity related to certain CET1 deduction items. The framework is primarily used for the purpose of measuring the performance of the businesses and includes certain management assumptions. Attributed equity is equal to the capital a CGU requires to conduct its business and is currently considered a reasonable approximation of the carrying amount of the CGUs. The attributed equity methodology is also applied in the business planning process, the inputs from which are used in calculating the recoverable amounts of the respective CGU.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the equity attribution framework**

## Assumptions

Valuation parameters used within the Group's impairment test model are linked to external market information, where applicable. The model used to determine the recoverable amount is most sensitive to changes in the forecast earnings available to shareholders in years one to three, to changes in the discount rates and to changes in the long-term growth rate. The applied long-term growth rate is based on long-term economic growth rates for different regions worldwide. Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors.

The discount rates are determined by applying a capital asset pricing model-based approach, as well as considering quantitative and qualitative inputs from both internal and external analysts and the view of management. They also take into account regional differences in risk-free rates at the level of the individual CGUs. In line with discount rates, long-term growth rates are determined at the regional level based on nominal or real GDP growth rate forecasts.

**Note 13 Goodwill and intangible assets (continued)**

Key assumptions used to determine the recoverable amounts of each CGU are tested for sensitivity by applying a reasonably possible change to those assumptions. Forecast earnings available to shareholders were changed by 20%, the discount rates were changed by 1.5 percentage points, and the long-term growth rates were changed by 0.75 percentage points. Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill or intangible assets reported by Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of goodwill attributable to Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce IFRS equity and net profit. It would not affect cash flows and, as goodwill is required to be deducted from capital under the Basel III capital framework, no effect would be expected on the Group's capital ratios.

**Discount and growth rates**

| | Discount rates | | Growth rates | |
|---|---|---|---|---|
| *In %* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Global Wealth Management Americas | 9.5 | 9.5 | 4.0 | 5.1 |
| Global Wealth Management Switzerland and International | 8.5 | 8.5 | 3.1 | 3.7 |
| Asset Management | 8.5 | 8.5 | 2.9 | 3.5 |

| *USD million* | Goodwill | Intangible assets[1] | 2021 | 2020 |
|---|---|---|---|---|
| Historical cost | | | | |
| Balance at the beginning of the year | 6,182 | 1,683 | 7,865 | 7,820 |
| Additions | | 1 | 1 | 147 |
| Disposals | (3) | | (3) | (158) |
| Write-offs | | (41) | (41) | (35) |
| Foreign currency translation | (53) | (30) | (83) | 91 |
| Balance at the end of the year | 6,126 | 1,612 | 7,739 | 7,865 |
| Accumulated amortization and impairment | | | | |
| Balance at the beginning of the year | | 1,385 | 1,385 | 1,351 |
| Amortization | | 31 | 31 | 55 |
| Impairment / (reversal of impairment)[2] | | (1) | (1) | 2 |
| Disposals | | | 0 | 0 |
| Write-offs | | (41) | (41) | (35) |
| Foreign currency translation | | (13) | (13) | 11 |
| Balance at the end of the year | | 1,360 | 1,360 | 1,385 |
| Net book value at the end of the year | 6,126 | 252 | 6,378 | 6,480 |
| *of which: Global Wealth Management Americas* | *3,720* | *41* | *3,760* | *3,770* |
| *of which: Global Wealth Management Switzerland and International* | *1,204* | *72* | *1,276* | *1,320* |
| *of which: Asset Management* | *1,202* | | *1,202* | *1,226* |
| *of which: Investment Bank* | | *139* | *139* | *161* |
| *of which: Group Functions* | | | *0* | *4* |

1 Intangible assets mainly include customer relationships, contractual rights and the fully amortized branch network intangible asset recognized in connection with the acquisition of PaineWebber Group, Inc. 2 Impairment charges recorded in 2020 relate to assets for which the recoverable amount was determined considering their value in use (recoverable amount of the impaired intangible assets: USD 5 million for 2020).

The table below presents estimated aggregated amortization expenses for intangible assets.

| *USD million* | Intangible assets |
|---|---|
| Estimated aggregated amortization expenses for: | |
| 2022 | 29 |
| 2023 | 27 |
| 2024 | 23 |
| 2025 | 23 |
| 2026 | 23 |
| Thereafter | 126 |
| Not amortized due to indefinite useful life | 2 |
| Total | 252 |

## Note 14 Other assets

### a) Other financial assets measured at amortized cost

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Debt securities | 18,858 | 18,801 |
| *of which: government bills / bonds* | *9,833* | *9,789* |
| Loans to financial advisors | 2,453 | 2,569 |
| Fee- and commission-related receivables | 1,972 | 2,014 |
| Finance lease receivables | 1,356 | 1,447 |
| Settlement and clearing accounts | 455 | 614 |
| Accrued interest income | 520 | 591 |
| Other | 594 | 1,158 |
| Total other financial assets measured at amortized cost | 26,209 | 27,194 |

### b) Other non-financial assets

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Precious metals and other physical commodities | 5,258 | 6,264 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters[1] | 1,526 | 1,418 |
| Prepaid expenses | 1,108 | 1,081 |
| VAT and other tax receivables | 638 | 433 |
| Properties and other non-current assets held for sale | 32 | 246 |
| Assets of disposal groups held for sale[2] | 1,093 | |
| Other | 621 | 326 |
| Total other non-financial assets | 10,277 | 9,768 |

1 Refer to Note 18 for more information. 2 Refer to Note 30 for more information.

## Note 15 Amounts due to banks and customer deposits

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts due to banks | 13,101 | 11,050 |
| Customer deposits | 542,007 | 524,605 |
| *of which: demand deposits* | *246,417* | *236,447* |
| *of which: retail savings / deposits* | *247,224* | *220,898* |
| *of which: time deposits[1]* | *48,365* | *67,260* |
| Total amounts due to banks and customer deposits | 555,108 | 535,655 |

1 Includes customer deposits in UBS AG Jersey Branch placed by UBS Switzerland AG on behalf of its clients.

## Note 16 Debt issued designated at fair value

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Issued debt instruments | | |
| Equity-linked[1] | 47,059 | 41,069 |
| Rates-linked | 16,369 | 11,038 |
| Credit-linked | 1,723 | 1,933 |
| Fixed-rate | 2,868 | 3,604 |
| Commodity-linked | 2,911 | 1,497 |
| Other | 2,868 | 2,101 |
| *of which: debt that contributes to total loss-absorbing capacity* | *2,136* | *1,190* |
| Total debt issued designated at fair value | 73,799 | 61,243 |
| *of which: issued by UBS AG with original maturity greater than one year*[2] | *57,967* | *46,427* |
| *of which: life-to-date own credit (gain) / loss* | *347* | *418* |

1 Includes investment fund unit-linked instruments issued. 2 Based on original contractual maturity without considering any early redemption features. As of 31 December 2021, 100% of the balance was unsecured (31 December 2020: 100%).

As of 31 December 2021 and 31 December 2020, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss was not materially different from the carrying amount.

The table below shows the residual contractual maturity of the carrying amount of debt issued designated at fair value, split between fixed-rate and floating-rate instruments based on the contractual terms, and does not consider any early redemption features. Interest rate ranges for future interest payments related to debt issued designated at fair value have not been included in the table below, as the majority of the debt instruments issued are structured products and therefore the future interest payments are highly dependent upon the embedded derivative and prevailing market conditions at the point in time that each interest payment is made.

› **Refer to Note 24 for maturity information on an undiscounted cash flow basis**

**Contractual maturity of carrying amount**

| *USD million* | 2022 | 2023 | 2024 | 2025 | 2026 | 2027–2031 | Thereafter | Total 31.12.21 | Total 31.12.20 |
|---|---|---|---|---|---|---|---|---|---|
| UBS Group AG[1] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 0 | 0 | 0 | 0 | 0 | 0 | 2,340 | 2,340 | 1,375 |
| UBS AG[2] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 4,296 | 1,658 | 716 | 495 | 226 | 273 | 1,732 | 9,397 | 9,409 |
| Floating-rate | 19,338 | 15,621 | 5,067 | 5,816 | 3,840 | 8,364 | 3,238 | 61,284 | 49,528 |
| Subtotal | 23,635 | 17,279 | 5,783 | 6,311 | 4,066 | 8,637 | 4,971 | 70,682 | 58,937 |
| Other subsidiaries[3] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 6 | 0 | 0 | 0 | 0 | 423 | 0 | 429 | 539 |
| Floating-rate | 150 | 47 | 145 | 0 | 0 | 0 | 7 | 349 | 392 |
| Subtotal | 156 | 47 | 145 | 0 | 0 | 423 | 7 | 778 | 931 |
| Total | 23,791 | 17,325 | 5,929 | 6,311 | 4,066 | 9,060 | 7,317 | 73,799 | 61,243 |

1 Consists of instruments issued by the legal entity UBS Group AG. 2 Consists of instruments issued by the legal entity UBS AG. 3 Consists of instruments issued by subsidiaries of UBS AG.

## Note 17 Debt issued measured at amortized cost

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Certificates of deposit and commercial paper | 40,640 | 41,151 |
| Other short-term debt | 2,458 | 5,515 |
| Short-term debt[1] | 43,098 | 46,666 |
| Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC) | 38,984 | 36,611 |
| Senior unsecured debt other than TLAC | 27,590 | 21,340 |
| *of which: issued by UBS AG with original maturity greater than one year*[2] | *23,307* | *18,464* |
| Covered bonds | 1,389 | 2,796 |
| Subordinated debt | 18,640 | 22,157 |
| *of which: high-trigger loss-absorbing additional tier 1 capital instruments* | *11,052* | *11,837* |
| *of which: low-trigger loss-absorbing additional tier 1 capital instruments* | *2,425* | *2,577* |
| *of which: low-trigger loss-absorbing tier 2 capital instruments* | *2,596* | *7,201* |
| *of which: non-Basel III-compliant tier 2 capital instruments* | *547* | *543* |
| Debt issued through the Swiss central mortgage institutions | 9,454 | 9,660 |
| Other long-term debt | 0 | 3 |
| Long-term debt[3] | 96,057 | 92,566 |
| Total debt issued measured at amortized cost[4] | 139,155 | 139,232 |

1 Debt with an original contractual maturity of less than one year. 2 Based on original contractual maturity without considering any early redemption features. As of 31 December 2021, 100% of the balance was unsecured (31 December 2020: 100%). 3 Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 4 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

The Group uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, the Group applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 26. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of debt issued was an increase of USD 478 million as of 31 December 2021 and an increase of USD 2,401 million as of 31 December 2020, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. All of the subordinated debt instruments outstanding as of 31 December 2021 pay a fixed rate of interest.

The table below shows the residual contractual maturity of the carrying amount of debt issued, split between fixed-rate and floating-rate based on the contractual terms, and does not consider any early redemption features. The effects from interest rate swaps, which are used to hedge various fixed-rate debt issuances by changing the repricing characteristics into those similar to floating-rate debt, are also not considered in the table below.

› **Refer to Note 24 for maturity information on an undiscounted cash flow basis**

**Contractual maturity of carrying amount**

| USD million | 2022 | 2023 | 2024 | 2025 | 2026 | 2027–2031 | Thereafter | Total 31.12.21 | Total 31.12.20 |
|---|---|---|---|---|---|---|---|---|---|
| UBS Group AG[1] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 3,769 | 4,027 | 5,145 | 5,052 | 6,748 | 12,534 | 3,294 | 40,569 | 33,578 |
| Floating-rate | 492 | 2,183 | 0 | 0 | 0 | 0 | 0 | 2,676 | 5,890 |
| Subordinated debt | | | | | | | | | |
| Fixed-rate | 0 | 0 | 0 | 0 | 0 | 0 | 13,477 | 13,477 | 14,413 |
| Subtotal | 4,261 | 6,211 | 5,145 | 5,052 | 6,748 | 12,534 | 16,771 | 56,722 | 53,881 |
| UBS AG[2] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 38,647 | 5,578 | 1,964 | 349 | 3,439 | 1,381 | 1,213 | 52,571 | 52,618 |
| Floating-rate | 9,807 | 2,093 | 1,922 | 907 | 508 | 0 | 0 | 15,238 | 15,299 |
| Subordinated debt | | | | | | | | | |
| Fixed-rate | 2,020 | 0 | 2,596 | 337 | 210 | 0 | 0 | 5,163 | 7,744 |
| Subtotal | 50,474 | 7,671 | 6,482 | 1,594 | 4,158 | 1,381 | 1,213 | 72,972 | 75,661 |
| Other subsidiaries[3] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 907 | 1,007 | 1,072 | 1,173 | 1,045 | 3,674 | 582 | 9,460 | 9,690 |
| Subtotal | 907 | 1,007 | 1,072 | 1,173 | 1,045 | 3,674 | 582 | 9,460 | 9,690 |
| Total | 55,642 | 14,889 | 12,698 | 7,818 | 11,951 | 17,590 | 18,566 | 139,155 | 139,232 |

1 Consists of debt issued by the legal entity UBS Group AG. 2 Consists of debt issued by the legal entity UBS AG. 3 Consists of debt issued by subsidiaries of UBS AG.

## Note 18 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions.

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Provisions other than provisions for expected credit losses | 3,322 | 2,571 |
| Provisions for expected credit losses | 196 | 257 |
| Total provisions | 3,518 | 2,828 |

The following table presents additional information for provisions other than provisions for expected credit losses.

| *USD million* | Litigation, regulatory and similar matters[1] | Restructuring | Other[3] | Total 2021 |
|---|---|---|---|---|
| Balance at the beginning of the year | 2,135 | 72 | 363 | 2,571 |
| Increase in provisions recognized in the income statement | 986 | 297 | 78 | 1,361 |
| Release of provisions recognized in the income statement | (74) | (30) | (32) | (136) |
| Provisions used in conformity with designated purpose | (189) | (165) | (80) | (434) |
| Capitalized reinstatement costs | 0 | 0 | 32 | 32 |
| Foreign currency translation / unwind of discount | (59) | (3) | (10) | (72) |
| Balance at the end of the year | 2,798 | 172[2] | 352 | 3,322 |

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Primarily consists of personnel-related restructuring provisions of USD 125 million as of 31 December 2021 (31 December 2020: USD 18 million) and provisions for onerous contracts of USD 47 million as of 31 December 2021 (31 December 2020: USD 49 million). 3 Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short period of time but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 18b. There are no material contingent liabilities associated with the other classes of provisions.

### b) Litigation, regulatory and similar matters

The Group 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 Note may refer to UBS Group 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 the Group 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 the Group 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. The Group 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 the Group 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 the Group, but are nevertheless expected to be, based on the Group'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.

## Note 18 Provisions and contingent liabilities (continued)

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, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our 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 we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our 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 Note 18a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital, liquidity and funding, and balance sheet" section of this report.

**Provisions for litigation, regulatory and similar matters by business division and in Group Functions[1]**

| *USD million* | Global Wealth Manage-ment | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Group Functions | Total 2021 |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 861 | 115 | 0 | 227 | 932 | 2,135 |
| Increase in provisions recognized in the income statement | 754 | 84 | 9 | 107 | 32 | 986 |
| Release of provisions recognized in the income statement | (60) | (11) | 0 | (4) | 0 | (74) |
| Provisions used in conformity with designated purpose | (175) | (1) | (1) | (10) | (2) | (189) |
| Foreign currency translation / unwind of discount | (42) | (6) | 0 | (11) | 0 | (59) |
| Balance at the end of the year | 1,338 | 181 | 8 | 310 | 962 | 2,798 |

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

**Note 18 Provisions and contingent liabilities (continued)**

### 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.

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.

On 20 February 2019, the court of first instance returned 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 of 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. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75 million, the confiscation of EUR 1 billion, and awarded civil damages to the French state of EUR 800 million. The court also found UBS (France) SA guilty of the aiding and abetting of unlawful solicitation and ordered it to pay a fine of EUR 1.875 million. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99 million of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 December 2021 reflected provisions with respect to this matter in an amount of EUR 1.1 billion (USD 1.252 billion at 31 December 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it was under formal investigation ("*inculpé*") regarding the allegations of laundering of proceeds of tax fraud, banking and financial solicitation by unauthorized persons, and serious tax fraud. In November 2021, the Council Chamber approved a settlement with the Brussels Prosecution Office for EUR 49 million without recognition of guilt with regard to the allegations of banking and financial solicitation by unauthorized persons and serious tax fraud. The allegation of laundering of proceeds of tax fraud was dismissed.

Our balance sheet at 31 December 2021 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 we have 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 we have 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.

In 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 the Financial Institutions Reform, Recovery and Enforcement Act of 1989 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.

Our balance sheet at 31 December 2021 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 we have 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 we have 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 the Swiss Financial Market Supervisory Authority (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 totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

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

### 4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to 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.

Since then, UBS 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 filed customer complaints and arbitration demands seeking aggregate damages of USD 3.4 billion, of which USD 3.1 billion have been resolved through settlements, arbitration or withdrawal of claims. 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 2021, the parties reached an agreement to settle this matter for USD 15 million, subject to court approval.

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. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

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

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss were granted in two of the cases; those decisions are being appealed by the plaintiffs. In the third case, defendants' motion to dismiss was denied, but on appeal that ruling was reversed and the motion to dismiss was granted.

**Note 18 Provisions and contingent liabilities (continued)**

Our balance sheet at 31 December 2021 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 we have 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 we have recognized.

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

*Foreign exchange-related regulatory matters:* Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was 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.

*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.

*LIBOR and other benchmark-related regulatory matters:* Numerous government agencies 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 was 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, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. 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. 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 January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint in September 2021.

*Other benchmark class actions in the US:*
*Yen LIBOR / Euroyen TIBOR* – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021 and plaintiffs and the remaining defendants have moved for reconsideration.

*CHF LIBOR* – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings.

*EURIBOR* – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

*SIBOR / SOR* – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants have moved to dismiss.

*BBSW* – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss. In February 2020, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021.

*GBP LIBOR* – The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

*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 was granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 December 2021 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 we have 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 we have 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 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 continues 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.

Our balance sheet at 31 December 2021 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 we have 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 we have recognized.

## Note 19 Other liabilities

### a) Other financial liabilities measured at amortized cost

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Other accrued expenses | 1,876 | 1,696 |
| Accrued interest expenses | 1,094 | 1,355 |
| Settlement and clearing accounts | 1,304 | 1,199 |
| Lease liabilities | 3,558 | 3,927 |
| Other | 1,167 | 1,553 |
| Total other financial liabilities measured at amortized cost | 9,001 | 9,729 |

### b) Other financial liabilities designated at fair value

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Financial liabilities related to unit-linked investment contracts | 21,466 | 20,975 |
| Securities financing transactions | 6,377 | 7,317 |
| Over-the-counter debt instruments | 2,128 | 2,060 |
| Other | 103 | 35 |
| Total other financial liabilities designated at fair value | 30,074 | 30,387 |
| *of which: life-to-date own credit (gain) / loss* | *(32)* | *(36)* |

### c) Other non-financial liabilities

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Compensation-related liabilities | 7,257 | 7,468 |
| *of which: Deferred Contingent Capital Plan* | *1,628* | *1,858* |
| *of which: financial advisor compensation plans* | *1,512* | *1,500* |
| *of which: other compensation plans* | *2,846* | *2,740* |
| *of which: net defined benefit liability* | *633* | *722* |
| *of which: other compensation-related liabilities*[1] | *638* | *648* |
| Deferred tax liabilities | 300 | 564 |
| Current tax liabilities | 1,398 | 1,009 |
| VAT and other tax payables | 590 | 523 |
| Deferred income | 240 | 228 |
| Liabilities of disposal groups held for sale[2] | 1,298 | |
| Other | 68 | 61 |
| Total other non-financial liabilities | 11,151 | 9,854 |

1 Includes liabilities for payroll taxes and untaken vacation. 2 Refer to Note 30 for more information.

## Note 20 Expected credit loss measurement

### a) Expected credit losses in the period

Total net credit loss releases were USD 148 million in 2021, reflecting net credit loss releases of USD 123 million related to stage 1 and 2 positions and USD 25 million net credit loss releases related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss releases of USD 123 million included a USD 68 million partial net release of a post-model adjustment, due to the continued positive trend in macroeconomic scenario input data during the year, a USD 45 million net release from a number of model and methodology changes and a residual USD 10 million net release from remeasurements within the loan book, derecognized transactions, partially offset by expenses from new transactions.

› **Refer to Note 20b for more information regarding changes to ECL model, scenarios, scenario weights and the post-model adjustment and to Note 20c for more information regarding the development of ECL allowances and provisions**

Stage 3 net releases of USD 25 million were recognized across a number of defaulted positions with a USD 24 million net release in Personal & Corporate Banking.

**Credit loss (expense) / release**

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | 28 | 62 | 0 | 34 | 0 | 123 |
| Stage 3 | 1 | 24 | (1) | 0 | 0 | 25 |
| Total credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| | | | | | | |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | (48) | (129) | 0 | (88) | 0 | (266) |
| Stage 3 | (40) | (128) | (2) | (217) | (42) | (429) |
| Total credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (694) |
| | | | | | | |
| For the year ended 31.12.19 | | | | | | |
| Stages 1 and 2 | 3 | 23 | 0 | (4) | 0 | 22 |
| Stage 3 | (23) | (44) | 0 | (26) | (7) | (100) |
| Total credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |

## Note 20 Expected credit loss measurement (continued)

### b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing expected credit loss (ECL) models, scenarios, scenario weights and key inputs applied.

#### Governance

Comprehensive cross-functional and cross-divisional governance processes are in place and are used to discuss and approve scenario updates and weights, to assess whether significant increases in credit risk resulted in stage transfers, to review model outputs and to reach conclusions regarding post-model adjustments.

#### Model changes

During 2021, the model review and enhancement process led to adjustments of the probability of default (PD), loss given default (LGD) and credit conversion factor (CCF) models, resulting in a USD 45 million decrease in ECL allowances. An amount of USD 25 million related to the *Large corporate clients* segment in the Investment Bank. The remainder related to various segments in Personal & Corporate Banking and Global Wealth Management.

#### Scenario and key input updates

During 2021, the scenarios and related macroeconomic factors were updated from those that were applied at the end of 2020 by taking into account the prevailing economic and political conditions and uncertainty. As the economic development was more positive than anticipated following the COVID-19-related downturn, the forward-looking scenarios benefited from an improved forecast starting level.

The projections of the baseline scenario, which are aligned to the economic and market assumptions used for UBS's business planning purposes, are broadly in line with external data, such as from Bloomberg Consensus, Oxford Economics and the International Monetary Fund World Economic Outlook. The economic performance during 2021 in relevant markets, especially in the US and in Switzerland, highlighted an accelerated improvement after the COVID-19-related shocks. The scenario assumes continued growth in 2022 in all key markets, albeit at a slower rate than seen in 2021, and unemployment rates are not expected to fall noticeably below the current levels. Interest rates are expected to remain low in line with the central bank policies pursued in the Eurozone and Switzerland, and any potential rises in the US would be limited in the foreseeable future. House prices are expected to reflect the momentum and continue to rise, especially in Switzerland and, to a lesser degree, in the US.

The narrative of the hypothetical severe downside scenario, which is the Group's binding stress scenario, has been adapted and assumes that, while the immediate risks from COVID-19 have decreased, the associated disruptions and the consequences of the unprecedented monetary and fiscal stimulus measures will remain critical. Concerns regarding the sustainability of public debt, following the marked deterioration of fiscal positions, lead to a loss of confidence and market turbulence, while protectionism results in a fall in global trade. Governments and central banks have limited scope to support the economies. As a consequence, the Eurozone and China suffer a hard landing, under this scenario which severely affects the Swiss export-oriented economy, and the US economy contracts as global demand is significantly affected. Given the severity of the macroeconomic impact, unemployment rates rise to historical highs and real estate sectors contract sharply.

With effect from the second quarter, the hypothetical upside and mild downside scenarios, which were viewed as less plausible as of 31 December 2020 and had a probability weight of zero attached, were redesigned and reintroduced in the ECL calculation. These two scenarios have become more relevant following this update, as they better reflect a more positive outlook with regard to COVID-19 and market expectations regarding a potential change in central bank policies, respectively.

The upside scenario is based on positive developments following COVID-19 and strong economic activity supported by pent-up demand in certain sectors, as well as the expectation that interest rates will remain relatively low in the near future. Asset prices rise significantly, but a view that currently observed higher inflation rates are temporary and spare economic capacity would mean that consumer prices remain moderate in the first year of the scenario.

The mild downside scenario focuses on the implications of rising concerns regarding inflationary trends following a recovery from COVID-19. Higher-than-expected inflation data triggers a steepening of yield curves across the globe and leads to market volatility. Higher interest rates lead to a sell-off in assets and a period of deleveraging under this scenario. With inflation remaining high, central banks start hiking their policy rates after a few quarters, leading to further increases in interest rates and impacting corporate and private debt sustainability. A recessionary period is the consequence.

The table on the following page details the key assumptions for the four scenarios applied as of 31 December 2021.

### Scenario weights and post-model adjustments

With the weighting of four scenarios above 0% and considering the generally more positive outlook regarding an abating effect on the world economy from the COVID-19 pandemic, the distribution of weights shifted during 2021. As of 31 December 2021, 5 percentage points of the weight of the baseline scenario and 10 percentage points of the severe downside scenario were redistributed to the upside scenario (5%) and the mild downside scenario (10%), as shown in the table below.

Although the scenarios and weight allocation were established in line with the general market sentiment that COVID-19 has passed its peak and a gradual return to normal is the most likely path, significant uncertainties still remain. Models, which are based on supportable statistical information from past experiences regarding interdependencies of macroeconomic factors and their implications for credit risk portfolios, cannot comprehensively reflect extraordinary events, such as a pandemic or a fundamental change in the world political order. Especially in these uncertain times, it is in the realm of possibilities that the generally accepted view that the effects of COVID-19 are abating may prove to be disappointed by the emergence of new variants of the virus, which may be more harmful and may undermine current vaccination efforts. Political events involving tensions between major global forces may introduce unforeseen challenges, such as disruptions in the global supply chain and a distortion of energy markets. Such events could affect economies severely and change the baseline assumptions significantly. Rather than creating multiple additional scenarios to gauge these risks and applying model parameters that lack supportable information and cannot be robustly validated, management continued to apply significant post-model adjustments. These adjustments were benchmarked against coverage ratio levels as of 30 June 2021, when a partial net release of USD 91 million was recognized, corresponding to one third of the accumulated effect of scenario improvements, following comprehensive expert assessment and judgment, and were also deemed appropriate for year-end 2021 reporting. The post-model adjustments relating to COVID-19 amounted to USD 224 million as of 31 December 2021 (2020: USD 117 million in addition to overlays of USD 16 million for other aspects, where model results were deemed to be uncertain).

| ECL scenario | Assigned weights in % | |
|---|---|---|
| | 31.12.21 | 31.12.20 |
| Upside | 5.0 | 0.0 |
| Baseline | 55.0 | 60.0 |
| Mild downside | 10.0 | 0.0 |
| Severe downside | 30.0 | 40.0 |

**Scenario assumptions**

| | One year | | | | Three years cumulative | | | |
|---|---|---|---|---|---|---|---|---|
| 31.12.21 | Upside | Baseline | Mild downside | Severe downside | Upside | Baseline | Mild downside | Severe downside |
| Real GDP growth (% change) | | | | | | | | |
| United States | 9.1 | 4.4 | (0.1) | (5.9) | 17.8 | 10.1 | 1.8 | (3.8) |
| Eurozone | 9.4 | 3.9 | (0.1) | (8.7) | 17.3 | 7.5 | 0.9 | (10.3) |
| Switzerland | 5.5 | 2.4 | (0.9) | (6.6) | 13.1 | 5.8 | (0.1) | (5.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 3.1 | 2.2 | 5.7 | (1.2) | 9.5 | 6.3 | 13.0 | 0.4 |
| Eurozone | 2.3 | 1.4 | 4.2 | (1.3) | 8.0 | 4.8 | 10.4 | (1.7) |
| Switzerland | 1.8 | 0.3 | 3.5 | (1.8) | 6.1 | 1.7 | 9.0 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 6.1 | 10.9 | 3.0 | 3.5 | 7.2 | 10.8 |
| Eurozone | 6.2 | 7.4 | 8.7 | 12.9 | 6.0 | 7.2 | 9.1 | 15.1 |
| Switzerland | 2.3 | 2.5 | 3.4 | 5.2 | 1.6 | 2.3 | 4.2 | 5.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 50.0 | 16.5 | 259.2 | (50.0) | 170.0 | 41.2 | 329.2 | (15.0) |
| EUR | 40.0 | 11.1 | 283.8 | (35.0) | 140.0 | 34.9 | 349.3 | (25.0) |
| CHF | 50.0 | 12.1 | 245.5 | (70.0) | 150.0 | 34.4 | 307.3 | (35.0) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 12.0 | 14.1 | (27.0) | (50.2) | 35.5 | 24.7 | (21.8) | (40.1) |
| EuroStoxx 50 | 16.0 | 12.3 | (23.4) | (57.6) | 41.6 | 20.7 | (19.9) | (50.4) |
| SPI | 14.0 | 12.1 | (22.9) | (53.6) | 37.9 | 19.1 | (19.6) | (44.2) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 5.1 | 4.4 | (4.3) | (17.0) | 15.5 | 7.4 | (8.8) | (30.0) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 10.0 | 3.5 | (2.3) | (9.5) | 21.7 | 7.1 | (8.7) | (26.3) |
| Eurozone (House Price Index) | 8.4 | 5.1 | (4.0) | (5.4) | 17.8 | 9.6 | (7.6) | (10.8) |

**Note 20 Expected credit loss measurement (continued)**

| **Scenario assumptions** | One year | | Three years cumulative | |
|---|---|---|---|---|
| 31.12.20 | Baseline | Severe downside | Baseline | Severe downside |
| Real GDP growth (% change) | | | | |
| United States | 2.7 | (5.9) | 9.1 | (3.8) |
| Eurozone | 2.5 | (8.7) | 9.9 | (10.3) |
| Switzerland | 3.3 | (6.6) | 9.0 | (5.7) |
| Consumer price index (% change) | | | | |
| United States | 1.7 | (1.2) | 5.5 | 0.4 |
| Eurozone | 1.4 | (1.3) | 3.9 | (1.7) |
| Switzerland | 0.3 | (1.8) | 0.9 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | |
| United States | 5.5 | 12.1 | 4.5 | 9.9 |
| Eurozone | 9.5 | 14.1 | 8.0 | 16.4 |
| Switzerland | 3.8 | 6.1 | 3.2 | 6.8 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | |
| USD | 22.0 | (50.0) | 46.0 | (15.0) |
| EUR | 4.0 | (35.0) | 21.0 | (25.0) |
| CHF | 13.0 | (70.0) | 31.0 | (35.0) |
| Equity indices (% change) | | | | |
| S&P 500 | (2.9) | (50.2) | (1.7) | (40.1) |
| EuroStoxx 50 | 3.8 | (57.6) | 13.5 | (50.4) |
| SPI | (0.8) | (53.6) | 5.8 | (44.2) |
| Swiss real estate (% change) | | | | |
| Single-Family Homes | 3.4 | (17.0) | 7.1 | (30.0) |
| Other real estate (% change) | | | | |
| United States (S&P / Case-Shiller) | 2.5 | (15.3) | 9.2 | (28.7) |
| Eurozone (House Price Index) | 1.1 | (22.9) | 7.2 | (35.4) |

## c) Development of ECL allowances and provisions

The ECL allowances and provisions recognized in the period are impacted by a variety of factors, such as:
- origination of new instruments during the period;
- effect of passage of time as the ECLs on an instrument for the remaining lifetime decrease (all other factors remaining the same);
- discount unwind within ECLs as it is measured on a present value basis;
- derecognition of instruments in the period;
- change in individual asset quality of instruments;
- effect of updating forward-looking scenarios and the respective weights;
- movements from a maximum 12-month ECL to the recognition of lifetime ECLs (and vice versa) following transfers between stages 1 and 2;
- movements from stages 1 and 2 to stage 3 (credit-impaired status) when default has become certain and PD increases to 100% (or vice versa);
- changes in models or updates to model parameters;
- write-off; and
- foreign exchange translations for assets denominated in foreign currencies and other movements.

## Note 20 Expected credit loss measurement (continued)

The following table explains the changes in the ECL allowances and provisions for on- and off-balance sheet financial instruments and credit lines in scope of ECL requirements between the beginning and the end of the period due to the factors listed on the previous page.

**Development of ECL allowances and provisions**

| *USD million* | Total | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |
| Net movement from new and derecognized transactions[1] | (59) | (72) | 13 | 0 |
| *of which: Private clients with mortgages* | *(7)* | *(10)* | *3* | *0* |
| *of which: Real estate financing* | *(7)* | *(11)* | *4* | *0* |
| *of which: Large corporate clients* | *(13)* | *(21)* | *7* | *0* |
| *of which: SME clients* | *(8)* | *(8)* | *0* | *0* |
| *of which: Other* | *(24)* | *(23)* | *(2)* | *0* |
| *of which: Financial intermediaries and hedge funds* | *(21)* | *(18)* | *(4)* | *0* |
| *of which: Loans to financial advisors* | *0* | *(1)* | *1* | *0* |
| Remeasurements with stage transfers[2] | (40) | 8 | 0 | (49) |
| *of which: Private clients with mortgages* | *(9)* | *4* | *(13)* | *0* |
| *of which: Real estate financing* | *(3)* | *1* | *(4)* | *0* |
| *of which: Large corporate clients* | *2* | *(2)* | *12* | *(8)* |
| *of which: SME clients* | *(27)* | *5* | *4* | *(36)* |
| *of which: Other* | *(3)* | *0* | *2* | *(4)* |
| *of which: Financial intermediaries and hedge funds* | *2* | *(1)* | *3* | *0* |
| *of which: Loans to financial advisors* | *0* | *1* | *(1)* | *0* |
| Remeasurements without stage transfers[3] | 203 | 55 | 74 | 74 |
| *of which: Private clients with mortgages* | *33* | *8* | *26* | *(1)* |
| *of which: Real estate financing* | *30* | *13* | *13* | *3* |
| *of which: Large corporate clients* | *44* | *5* | *21* | *17* |
| *of which: SME clients* | *53* | *(1)* | *1* | *53* |
| *of which: Other* | *44* | *29* | *14* | *2* |
| *of which: Financial intermediaries and hedge funds* | *27* | *15* | *12* | *0* |
| *of which: Loans to financial advisors* | *6* | *8* | *1* | *(3)* |
| Model changes[4] | 45 | 29 | 16 | 0 |
| Movements with profit or loss impact[5] | 148 | 19 | 104 | 25 |
| Movements without profit or loss impact (write-off, FX and other)[6] | 154 | 5 | 9 | 141 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

In 2021, ECL allowances and provisions decreased by USD 148 million from net credit loss releases impacting profit or loss:
- a USD 59 million net increase from new and derecognized transactions that resulted from a USD 72 million stage 1 increase primarily in the corporate lending and real estate lending portfolio, offset by a USD 13 million net release from stage 2 positions, driven by positions that were terminated before their contractual maturity;
- a USD 163 million net decrease from book quality movements that resulted from a USD 203 million net decrease from remeasurements without stage transfers, with approximately half of that related to corporate lending – another significant portion related to real estate-related lending, primarily due to the partial release of a post-model adjustment, partially offset by USD 40 million from transactions moving from stages 1 and 2 into stages 2 and 3, respectively, primarily related to SME clients; and
- a USD 45 million net decrease that resulted from a number of model changes. An amount of USD 25 million related to the *Large corporate clients* segment in the Investment Bank. The remainder related to various segments in Personal & Corporate Banking and Global Wealth Management.

In addition to the movements impacting profit or loss, allowances decreased by USD 154 million as a result of USD 137 million of write-offs and USD 18 million from foreign exchange and other movements, both of which did not impact the income statement.

## Note 20 Expected credit loss measurement (continued)

**Development of ECL allowances and provisions**

| *USD million* | Total | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Balance as of 31 December 2019 | (1,029) | (181) | (160) | (688) |
| Net movement from new and derecognized transactions[1] | (28) | (90) | 17 | 46 |
| *of which: Private clients with mortgages* | *(2)* | *(3)* | *2* | *0* |
| *of which: Real estate financing* | *(3)* | *(5)* | *2* | *0* |
| *of which: Large corporate clients* | *(32)* | *(29)* | *(4)* | *0* |
| *of which: SME clients* | *(16)* | *(14)* | *(3)* | *0* |
| *of which: Other* | *26* | *(39)* | *20* | *46* |
| *of which: Securities financing transactions REIT* | *32* | *(1)* | *15* | *17* |
| *of which: Loans to financial advisors* | *9* | *(1)* | *9* | *0* |
| *of which: Lombard loans* | *23* | *(6)* | *0* | *29* |
| *of which Financial intermediaries* | *(20)* | *(15)* | *(5)* | *0* |
| Remeasurements with stage transfers[2] | (427) | 45 | (134) | (338) |
| *of which: Private clients with mortgages* | *(19)* | *(2)* | *(17)* | *0* |
| *of which: Real estate financing* | *(6)* | *3* | *(9)* | *0* |
| *of which: Large corporate clients* | *(224)* | *34* | *(83)* | *(175)* |
| *of which: SME clients* | *(43)* | *(1)* | *(11)* | *(31)* |
| *of which: Other* | *(134)* | *11* | *(14)* | *(131)* |
| *of which: Securities financing transactions REIT* | *(36)* | *0* | *(18)* | *(19)* |
| *of which: Loans to financial advisors* | *(12)* | *7* | *(7)* | *(11)* |
| *of which: Lombard loans* | *(36)* | *0* | *0* | *(36)* |
| *of which Commodity trade finance* | *(59)* | *0* | *0* | *(59)* |
| Remeasurements without stage transfers[3] | (271) | (88) | (47) | (136) |
| *of which: Private clients with mortgages* | *(34)* | *(19)* | *(8)* | *(7)* |
| *of which: Real estate financing* | *(14)* | *(4)* | *(11)* | *1* |
| *of which: Large corporate clients* | *(149)* | *(53)* | *(17)* | *(79)* |
| *of which: SME clients* | *(13)* | *0* | *(7)* | *(6)* |
| *of which: Other* | *(60)* | *(11)* | *(4)* | *(44)* |
| *of which: Loans to financial advisors* | *(18)* | *(12)* | *(3)* | *(3)* |
| *of which: Lombard loans* | *(3)* | *6* | *0* | *(9)* |
| *of which: Credit cards* | *(12)* | *0* | *0* | *(12)* |
| Model changes[4] | 32 | 21 | 11 | 0 |
| Movements with profit or loss impact[5] | (694) | (112) | (154) | (429) |
| Movements without profit or loss impact (write-off, FX and other)[6] | 254 | (14) | (19) | 287 |
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

As explained in Note 1a, the assessment of a significant increase in credit risk (SICR) considers a number of qualitative and quantitative factors to determine whether a stage transfer between stage 1 and stage 2 is required, although the primary assessment considers changes in PD based on rating analyses and economic outlook. Additionally, UBS takes into consideration counterparties that have moved to a credit watch list and those with payments that are at least 30 days past due.

**ECL stage 2 (“significant deterioration in credit risk”) allowances / provisions as of 31 December 2021 – classification by trigger**

| *USD million* | Stage 2 | *of which: PD layer* | *of which: watch list* | *of which: ≥30 days past due* |
|---|---|---|---|---|
| On-and off-balance sheet | (220) | *(158)* | *(22)* | *(39)* |
| *of which: Private clients with mortgages* | *(71)* | *(54)* | *0* | *(17)* |
| *of which: Real estate financing* | *(43)* | *(38)* | *0* | *(4)* |
| *of which: Large corporate clients* | *(55)* | *(40)* | *(15)* | *0* |
| *of which: SME clients* | *(30)* | *(19)* | *(7)* | *(4)* |
| *of which: Financial intermediaries and hedge funds* | *(6)* | *(6)* | *0* | *0* |
| *of which: Loans to financial advisors* | *(3)* | *0* | *0* | *(3)* |
| *of which: Credit cards* | *(11)* | *0* | *0* | *(11)* |
| *of which: Other* | *(1)* | *(1)* | *0* | *0* |

## Note 20 Expected credit loss measurement (continued)

### d) Maximum exposure to credit risk

The tables below provide the Group's maximum exposure to credit risk for financial instruments subject to ECL requirements and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS.

**Maximum exposure to credit risk**

| | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral[1,2] | | | | Credit enhancements[1] | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateralized by securities | Secured by real estate | Other collateral[3] | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 192.8 | | | | | | | | 192.8 |
| Loans and advances to banks[4] | 15.5 | | 0.1 | | | | | 0.1 | 15.3 |
| Receivables from securities financing transactions | 75.0 | 0.0 | 68.0 | | 6.9 | | | | 0.0 |
| Cash collateral receivables on derivative instruments[5,6] | 30.5 | | | | | 18.4 | | | 12.1 |
| Loans and advances to customers[7] | 397.8 | 37.5 | 128.7 | 191.3 | 20.2 | | | 4.0 | 16.2 |
| Other financial assets measured at amortized cost | 26.2 | 0.2 | 0.1 | 0.0 | 1.3 | | | | 24.6 |
| Total financial assets measured at amortized cost | 737.8 | 37.7 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 261.0 |
| Financial assets measured at fair value through other comprehensive income – debt | 8.8 | | | | | | | | 8.8 |
| Total maximum exposure to credit risk reflected on the balance sheet in scope of ECL | 746.6 | 37.7 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 269.8 |
| Guarantees[8] | 20.9 | 1.3 | 6.5 | 0.2 | 2.5 | | | 2.3 | 8.1 |
| Loan commitments[8] | 39.4 | 0.5 | 4.0 | 2.4 | 7.3 | | 0.3 | 1.7 | 23.1 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | 1.4 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 40.7 | 0.3 | 9.0 | 6.2 | 3.9 | | | 0.5 | 20.9 |
| Total maximum exposure to credit risk not reflected on the balance sheet, in scope of ECL | 102.5 | 2.2 | 20.9 | 8.7 | 13.7 | 0.0 | 0.3 | 4.5 | 52.1 |

| | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral[1,2] | | | | Credit enhancements[1] | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateralized by securities | Secured by real estate | Other collateral[3] | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 158.2 | | | | | | | | 158.2 |
| Loans and advances to banks[4] | 15.4 | | 0.1 | | | | | | 15.3 |
| Receivables from securities financing transactions | 74.2 | 0.0 | 67.1 | | 7.0 | | | | 0.0 |
| Cash collateral receivables on derivative instruments[5,6] | 32.7 | | | | | 21.1 | | | 11.6 |
| Loans and advances to customers[7] | 379.5 | 25.8 | 118.2 | 194.6 | 21.7 | | | 4.4 | 14.8 |
| Other financial assets measured at amortized cost | 27.2 | 0.1 | 0.2 | | 1.3 | | | | 25.5 |
| Total financial assets measured at amortized cost | 687.3 | 26.0 | 185.7 | 194.6 | 30.1 | 21.1 | 0.0 | 4.4 | 225.5 |
| Financial assets measured at fair value through other comprehensive income – debt | 8.3 | | | | | | | | 8.3 |
| Total maximum exposure to credit risk reflected on the balance sheet in scope of ECL | 695.6 | 26.0 | 185.7 | 194.6 | 30.1 | 21.1 | 0.0 | 4.4 | 233.7 |
| Guarantees[8] | 17.0 | 0.7 | 5.0 | 0.2 | 1.7 | | | 2.5 | 7.0 |
| Loan commitments[8] | 41.2 | 0.0 | 4.2 | 2.1 | 6.8 | | 0.4 | 2.4 | 25.3 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.2 | | 3.2 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 40.1 | 0.1 | 10.3 | 6.2 | 2.7 | | | 0.0 | 20.7 |
| Total maximum exposure to credit risk not reflected on the balance sheet, in scope of ECL | 101.6 | 0.8 | 22.7 | 8.5 | 11.2 | 0.0 | 0.4 | 4.9 | 53.0 |

1 Of which: USD 1,443 million for 31 December 2021 (31 December 2020: USD 1,983 million) relates to total credit-impaired financial assets measured at amortized cost and USD 130 million for 31 December 2021 (31 December 2020: USD 154 million) to total off-balance sheet financial instruments and credit lines for credit-impaired positions. 2 Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. 3 Includes but is not limited to life insurance contracts, inventory, mortgage loans, gold and other commodities. 4 Loans and advances to banks include amounts held with third-party banks on behalf of clients. The credit risk associated with these balances may be borne by those clients. 5 Included within Cash collateral receivables on derivative instruments are margin balances due from exchanges or clearing houses. Some of these margin balances reflect amounts transferred on behalf of clients who retain the associated credit risk. 6 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. 7 In 2021, the collateral allocation was updated to reflect additional cash collateral and custody accounts that are also available as security for certain on-balance sheet lending. This resulted in an increase in loans secured by cash, with an offsetting reduction in loans secured by real estate and loans secured by securities. 8 The amount shown in the "Guarantees" column includes sub-participations.

## Note 20 Expected credit loss measurement (continued)

### e) Financial assets subject to credit risk by rating category

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects the Group's assessment of the probability of default of individual counterparties, prior to substitutions. The amounts presented are gross of impairment allowances.

› **Refer to the "Risk management and control" section of this report for more details regarding the Group's internal grading system**

**Financial assets subject to credit risk by rating category**

| *USD million* | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) |
| Financial assets measured at amortized cost | | | | | | | | | |
| Cash and balances at central banks | 191,015 | 1,802 | 0 | 0 | 0 | 0 | 192,817 | 0 | 192,817 |
| *of which: stage 1* | *191,015* | *1,802* | *0* | *0* | *0* | *0* | *192,817* | *0* | *192,817* |
| Loans and advances to banks | 407 | 12,623 | 1,171 | 795 | 490 | 1 | 15,488 | (8) | 15,480 |
| *of which: stage 1* | *407* | *12,623* | *1,146* | *795* | *488* | *0* | *15,460* | *(7)* | *15,453* |
| *of which: stage 2* | *0* | *0* | *24* | *0* | *2* | *0* | *27* | *(1)* | *26* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *1* | *1* | *0* | *1* |
| Receivables from securities financing transactions | 34,386 | 11,267 | 10,483 | 17,440 | 1,439 | 0 | 75,014 | (2) | 75,012 |
| *of which: stage 1* | *34,386* | *11,267* | *10,483* | *17,440* | *1,439* | *0* | *75,014* | *(2)* | *75,012* |
| Cash collateral receivables on derivative instruments | 7,466 | 13,476 | 5,878 | 3,647 | 47 | 0 | 30,514 | 0 | 30,514 |
| *of which: stage 1* | *7,466* | *13,476* | *5,878* | *3,647* | *47* | *0* | *30,514* | *0* | *30,514* |
| Loans and advances to customers | 5,295 | 232,233 | 67,620 | 69,892 | 21,423 | 2,148 | 398,611 | (850) | 397,761 |
| *of which: stage 1* | *5,295* | *231,153* | *65,084* | *62,796* | *16,362* | *0* | *380,690* | *(126)* | *380,564* |
| *of which: stage 2* | *0* | *1,080* | *2,536* | *7,096* | *5,061* | *0* | *15,773* | *(152)* | *15,620* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *2,148* | *2,148* | *(572)* | *1,577* |
| Other financial assets measured at amortized cost | 12,564 | 6,702 | 321 | 6,072 | 394 | 264 | 26,318 | (109) | 26,209 |
| *of which: stage 1* | *12,564* | *6,693* | *307* | *5,863* | *317* | *0* | *25,745* | *(27)* | *25,718* |
| *of which: stage 2* | *0* | *10* | *13* | *209* | *77* | *0* | *309* | *(7)* | *302* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *264* | *264* | *(76)* | *189* |
| Total financial assets measured at amortized cost | 251,133 | 278,103 | 85,472 | 97,846 | 23,793 | 2,414 | 738,762 | (969) | 737,794 |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 3,996 | 4,771 | 0 | 77 | 0 | 0 | 8,844 | 0 | 8,844 |
| Total on-balance sheet financial instruments | 255,130 | 282,874 | 85,472 | 97,923 | 23,793 | 2,414 | 747,606 | (969) | 746,638 |

**Off-balance sheet positions subject to expected credit loss by rating category**

| *USD million* | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions |
| Off-balance sheet financial instruments | | | | | | | | |
| Guarantees | 4,457 | 7,064 | 4,535 | 3,757 | 1,009 | 150 | 20,972 | (41) |
| *of which: stage 1* | *4,457* | *7,037* | *4,375* | *3,075* | *752* | *0* | *19,695* | *(18)* |
| *of which: stage 2* | *0* | *27* | *160* | *682* | *258* | *0* | *1,127* | *(8)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *150* | *150* | *(15)* |
| Irrevocable loan commitments | 2,797 | 14,183 | 7,651 | 8,298 | 6,502 | 46 | 39,478 | (114) |
| *of which: stage 1* | *2,797* | *13,917* | *7,416* | *7,127* | *5,840* | *0* | *37,097* | *(72)* |
| *of which: stage 2* | *0* | *266* | *235* | *1,171* | *663* | *0* | *2,335* | *(42)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *46* | *46* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 0 | 0 | 55 | 1,389 | 0 | 0 | 1,444 | 0 |
| Total off-balance sheet financial instruments | 7,254 | 21,247 | 12,241 | 13,444 | 7,512 | 196 | 61,894 | (155) |
| Credit lines | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,636 | 15,594 | 8,627 | 9,752 | 4,107 | 63 | 40,778 | (38) |
| *of which: stage 1* | *2,636* | *15,250* | *8,304* | *8,346* | *3,671* | *0* | *38,207* | *(28)* |
| *of which: stage 2* | *0* | *344* | *323* | *1,406* | *436* | *0* | *2,508* | *(10)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *63* | *63* | *0* |
| Irrevocable committed prolongation of existing loans | 17 | 2,438 | 1,422 | 1,084 | 602 | 48 | 5,611 | (3) |
| *of which: stage 1* | *17* | *2,438* | *1,422* | *1,082* | *568* | *0* | *5,527* | *(3)* |
| *of which: stage 2* | *0* | *0* | *0* | *1* | *34* | *0* | *36* | *0* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *48* | *48* | *0* |
| Total credit lines | 2,653 | 18,032 | 10,049 | 10,836 | 4,709 | 111 | 46,390 | (41) |

1 Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

## Note 20 Expected credit loss measurement (continued)

**Financial assets subject to credit risk by rating category**

| *USD million* | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) |
| Financial assets measured at amortized cost | | | | | | | | | |
| Cash and balances at central banks | 156,250 | 1,981 | 0 | 0 | 0 | 0 | 158,231 | 0 | 158,231 |
| *of which: stage 1* | *156,250* | *1,981* | *0* | *0* | *0* | *0* | *158,231* | *0* | *158,231* |
| Loans and advances to banks | 543 | 12,129 | 1,344 | 1,182 | 260 | 1 | 15,460 | (16) | 15,444 |
| *of which: stage 1* | *543* | *12,074* | *1,277* | *1,145* | *231* | *0* | *15,269* | *(9)* | *15,260* |
| *of which: stage 2* | *0* | *55* | *67* | *37* | *29* | *0* | *189* | *(5)* | *184* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *1* | *1* | *(1)* | *0* |
| Receivables from securities financing transactions | 22,998 | 16,009 | 15,367 | 17,995 | 1,842 | 0 | 74,212 | (2) | 74,210 |
| *of which: stage 1* | *22,998* | *16,009* | *15,367* | *17,995* | *1,842* | *0* | *74,212* | *(2)* | *74,210* |
| Cash collateral receivables on derivative instruments | 8,196 | 13,477 | 7,733 | 3,243 | 88 | 0 | 32,737 | 0 | 32,737 |
| *of which: stage 1* | *8,196* | *13,477* | *7,733* | *3,243* | *88* | *0* | *32,737* | *0* | *32,737* |
| Loans and advances to customers | 5,813 | 214,307 | 67,270 | 69,217 | 21,038 | 2,943 | 380,589 | (1,060) | 379,528 |
| *of which: stage 1* | *5,813* | *212,970* | *63,000* | *59,447* | *15,860* | *0* | *357,090* | *(142)* | *356,948* |
| *of which: stage 2* | *0* | *1,338* | *4,269* | *9,770* | *5,178* | *0* | *20,556* | *(215)* | *20,341* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *2,943* | *2,943* | *(703)* | *2,240* |
| Other financial assets measured at amortized cost | 15,404 | 4,018 | 280 | 6,585 | 481 | 560 | 27,327 | (133) | 27,194 |
| *of which: stage 1* | *15,404* | *4,015* | *269* | *6,334* | *389* | *0* | *26,410* | *(34)* | *26,377* |
| *of which: stage 2* | *0* | *3* | *11* | *251* | *91* | *0* | *357* | *(9)* | *348* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *560* | *560* | *(90)* | *469* |
| Total financial assets measured at amortized cost | 209,204 | 261,922 | 91,993 | 98,223 | 23,709 | 3,505 | 688,556 | (1,211) | 687,345 |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 3,212 | 5,014 | 0 | 32 | 0 | 0 | 8,258 | 0 | 8,258 |
| Total on-balance sheet financial instruments | 212,417 | 266,936 | 91,993 | 98,255 | 23,709 | 3,505 | 696,815 | (1,211) | 695,603 |

**Off-balance sheet positions subject to expected credit loss by rating category**

| *USD million* | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total off - balance sheet exposure (maximum exposure to credit risk) | ECL provisions |
| Off-balance sheet financial instruments | | | | | | | | |
| Guarantees | 3,482 | 4,623 | 3,522 | 4,293 | 991 | 170 | 17,081 | (63) |
| *of which: stage 1* | *3,482* | *4,219* | *2,688* | *3,558* | *739* | *0* | *14,687* | *(14)* |
| *of which: stage 2* | *0* | *404* | *834* | *736* | *252* | *0* | *2,225* | *(15)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *170* | *170* | *(34)* |
| Irrevocable loan commitments | 3,018 | 14,516 | 8,583 | 9,302 | 5,850 | 104 | 41,372 | (142) |
| *of which: stage 1* | *3,018* | *13,589* | *6,873* | *8,739* | *4,676* | *0* | *36,894* | *(74)* |
| *of which: stage 2* | *0* | *927* | *1,711* | *563* | *1,174* | *0* | *4,374* | *(68)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *104* | *104* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 82 | 150 | 0 | 3,015 | 0 | 0 | 3,247 | 0 |
| Total off-balance sheet financial instruments | 6,583 | 19,289 | 12,105 | 16,610 | 6,840 | 273 | 61,700 | (205) |
| Credit lines | | | | | | | | |
| Committed unconditionally revocable credit lines | 574 | 13,505 | 5,958 | 8,488 | 11,501 | 108 | 40,134 | (50) |
| *of which: stage 1* | *574* | *12,940* | *4,517* | *6,609* | *10,593* | *0* | *35,233* | *(29)* |
| *of which: stage 2* | *0* | *565* | *1,441* | *1,879* | *908* | *0* | *4,792* | *(21)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *108* | *108* | *0* |
| Irrevocable committed prolongation of existing loans | 14 | 1,349 | 931 | 632 | 357 | 0 | 3,282 | (2) |
| *of which: stage 1* | *14* | *1,349* | *930* | *630* | *355* | *0* | *3,277* | *(2)* |
| *of which: stage 2* | *0* | *1* | *1* | *2* | *1* | *0* | *5* | *0* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Total credit lines | 588 | 14,854 | 6,889 | 9,119 | 11,858 | 109 | 43,416 | (52) |

1 Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

**Note 20 Expected credit loss measurement (continued)**

## f) Sensitivity information

As outlined in Note 1a, ECL estimates involve significant uncertainties at the time they are made.

### ECL model

The models applied to determine point-in-time PD and LGD rely on market and statistical data, which has been found to correlate well with historically observed defaults in sufficiently homogeneous segments. The risk sensitivities for each of the ECL reporting segments to such factors are summarized in Note 9.

### Forward-looking scenarios

Depending on the scenario selection and related macro-economic assumptions for the risk factors, the components of the relevant weighted average ECL change. This is particularly relevant for interest rates, which can move in both directions under a given growth assumption (for example, low growth with high interest rates in a stagflation scenario, versus low growth and falling interest rates in a recession). Management generally looks for scenario narratives that reflect the key risk drivers of a given credit portfolio.

As forecasting models are complex, due to the combination of multiple factors, simple what-if analyses involving a change of individual parameters do not necessarily provide realistic information on the exposure of segments to changes in the macroeconomy. Portfolio-specific analyses based on their key risk factors would also not be meaningful, as potential compensatory effects in other segments would be ignored. The table below indicates some sensitivities to ECLs if a key macroeconomic variable for the forecasting period is amended across all scenarios with all other factors remaining unchanged.

**Potential effect on stage 1 and stage 2 positions from changing key parameters as of 31 December 2021**

| *USD million* | Baseline | Upside | Mild downside | Severe downside | Weighted average |
|---|---|---|---|---|---|
| Change in key parameters | | | | | |
| Fixed income: Government bonds (absolute change) | | | | | |
| −0.50% | (1) | 0 | (29) | (9) | (4) |
| +0.50% | 1 | 1 | 39 | 11 | 5 |
| +1.00% | 4 | 2 | 88 | 23 | 14 |
| Unemployment rate (absolute change) | | | | | |
| −1.00% | (2) | (2) | (30) | (48) | (13) |
| −0.50% | (1) | (1) | (17) | (27) | (7) |
| +0.50% | 1 | 1 | 21 | 31 | 8 |
| +1.00% | 3 | 2 | 47 | 68 | 18 |
| Real GDP growth (relative change) | | | | | |
| −2.00% | 4 | 2 | 8 | 17 | 10 |
| −1.00% | 2 | 1 | 4 | 8 | 5 |
| +1.00% | (1) | 0 | (10) | (8) | (4) |
| +2.00% | (2) | 0 | (14) | (16) | (7) |
| House Price Index (relative change) | | | | | |
| −5.00% | 6 | 4 | 50 | 73 | 24 |
| −2.50% | 3 | 2 | 24 | 34 | 12 |
| +2.50% | (2) | (1) | (26) | (31) | (11) |
| +5.00% | (4) | (3) | (46) | (31) | (13) |
| Equity (S&P500, EuroStoxx, SMI) (relative change) | | | | | |
| −10.00% | 2 | 2 | 5 | 6 | 5 |
| −5.00% | 1 | 0 | 2 | 3 | 2 |
| +5.00% | (1) | 0 | (2) | (3) | (2) |
| +10.00% | (2) | 0 | (4) | (6) | (3) |

Sensitivities can be more meaningfully assessed in the context of coherent scenarios with consistently developed macroeconomic factors. The table on the previous page outlines favorable and unfavorable effects, based on reasonably possible alternative changes to the economic conditions for stage 1 and stage 2 positions. The ECL impact is calculated for material portfolios and disclosed for each scenario.

The forecasting horizon is limited to three years, with a model-based mean reversion of PD and LGD assumed thereafter. Changes to these timelines may have an effect on ECLs: depending on the cycle, a longer or shorter forecasting horizon will lead to different annualized lifetime PD and average LGD estimations. This is currently not deemed to be material for UBS, as a large proportion of loans, including mortgages in Switzerland, have maturities that are within the forecasting horizon.

### Scenario weights

ECL is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses.

As shown in the table on the bottom of this page, the ECL for stage 1 and stage 2 positions would have been USD 387 million (31 December 2020: USD 442 million) instead of USD 503 million (31 December 2020: USD 639 million) if ECL had been determined solely on the baseline scenario. The weighted average ECL therefore amounts to 130% (31 December 2020: 145%) of the baseline value. The effects of weighting each of the four scenarios 100% are shown in the table below.

### Stage allocation and SICR

The determination of what constitutes an SICR is based on management judgment, as explained in Note 1a. Changing the SICR trigger will have a direct effect on ECLs, as more or fewer positions would be subject to lifetime ECLs under any scenario.

The relevance of the SICR trigger on overall ECL is demonstrated in the table below with the indication that the ECL allowances and provisions for stage 1 and stage 2 positions would have been USD 1,060 million if all non-impaired positions across the portfolio had been measured for lifetime ECLs irrespective of their actual SICR status. This amount compares to actual stage 1 and 2 allowances and provisions of USD 503 million as of 31 December 2021.

**Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2021**

| | Actual ECL allowances and provisions, including staging (as per Note 9) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL |
|---|---|---|---|---|---|---|
| Scenarios | Weighted average | 100% Baseline | 100% Upside | 100% Mild downside | 100% Severe downside | Weighted average |
| *USD million, except where indicated* | | | | | | |
| Segmentation | | | | | | |
| Private clients with mortgages | (95) | (53) | (52) | (119) | (207) | (277) |
| Real estate financing | (62) | (50) | (48) | (101) | (97) | (118) |
| Large corporate clients | (150) | (116) | (107) | (148) | (244) | (257) |
| SME clients | (65) | (56) | (55) | (71) | (91) | (117) |
| Other segments | (130) | (112) | (108) | (135) | (166) | (291) |
| Total | (503) | (387) | (370) | (574) | (806) | (1,060) |

### Maturity profile

The maturity profile is an important driver for changes in ECL due to transfers to stage 2 and from stage 2 to stage 1. The current maturity profile of most lending books is relatively short; hence a movement to stage 2 may have a moderate effect on ECLs. A significant portion of our lending to SMEs is documented under multi-purpose credit agreements, which allow for various forms of utilization but are unconditionally cancelable by UBS at any time. For drawings under such agreements with a fixed maturity, the respective term is applied for ECL calculations, or a maximum of 12 months in stage 1. For unused credit lines and all drawings that have no fixed maturity (e.g., current accounts), UBS generally applies a 12-month maturity from the reporting date, given the credit review policies, which require either continuous monitoring of key indicators and behavioral patterns for smaller positions or an annual formal review for any other limit. The ECLs for these products are sensitive to shortening or extending the maturity assumption.

## Note 21 Fair value measurement

### a) Valuation principles

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with IFRS. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Fair values are determined using quoted prices in active markets for identical assets or liabilities, where available. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation adjustments may be made to allow for additional factors, including model, liquidity, credit and funding risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when establishing a price. The limitations inherent in a particular valuation technique are considered in the determination of the classification of an asset or liability within the fair value hierarchy. Generally, the unit of account for a financial instrument is the individual instrument, and UBS applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS may estimate the fair value of a portfolio of financial assets and liabilities with substantially similar and offsetting risk exposures on the basis of the net open risks.

› **Refer to Note 21d for more information**

### b) Valuation governance

UBS's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders from the risk and finance control functions. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value is with the business divisions.

Fair value estimates are validated by the risk and finance control functions, which are independent of the business divisions. Independent price verification is performed by Finance through benchmarking the business divisions' fair value estimates with observable market prices and other independent sources. A governance framework and associated controls are in place in order to monitor the quality of third-party pricing sources where used. For instruments where valuation models are used to determine fair value, independent valuation and model control groups within Finance and Risk Control evaluate UBS's models on a regular basis, including valuation and model input parameters, as well as pricing. As a result of the valuation controls employed, valuation adjustments may be made to the business divisions' estimates of fair value to align with independent market data and the relevant accounting standard.

› **Refer to Note 21d for more information**

## Note 21 Fair value measurement (continued)

### c) Fair value hierarchy

The table below provides the fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value. The narrative that follows describes valuation techniques used in measuring their fair value of different product types (including significant valuation inputs and assumptions used), and the factors considered in determining their classification within the fair value hierarchy.

**Determination of fair values from quoted market prices or valuation techniques[1]**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 113,697 | 14,825 | 2,299 | 130,821 | 107,507 | 15,553 | 2,337 | 125,397 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *97,958* | *1,090* | *149* | *99,197* | *90,307* | *1,101* | *171* | *91,579* |
| *Government bills / bonds* | *7,135* | *1,351* | *10* | *8,496* | *9,028* | *2,207* | *10* | *11,245* |
| *Investment fund units* | *7,843* | *1,364* | *21* | *9,229* | *7,374* | *1,794* | *23* | *9,192* |
| *Corporate and municipal bonds* | *708* | *7,604* | *556* | *8,868* | *789* | *8,356* | *817* | *9,961* |
| *Loans* | *0* | *3,099* | *1,443* | *4,542* | *0* | *1,860* | *1,134* | *2,995* |
| *Asset-backed securities* | *53* | *317* | *120* | *489* | *8* | *236* | *181* | *425* |
| Derivative financial instruments | 522 | 116,479 | 1,140 | 118,142 | 795 | 157,068 | 1,754 | 159,617 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *255* | *53,043* | *7* | *53,305* | *319* | *68,424* | *5* | *68,749* |
| *Interest rate contracts* | *0* | *32,747* | *494* | *33,241* | *0* | *50,353* | *537* | *50,890* |
| *Equity / index contracts* | *0* | *27,861* | *384* | *28,245* | *0* | *33,990* | *853* | *34,842* |
| *Credit derivative contracts* | *0* | *1,179* | *236* | *1,414* | *0* | *2,008* | *350* | *2,358* |
| *Commodity contracts* | *0* | *1,590* | *16* | *1,606* | *0* | *2,211* | *6* | *2,217* |
| Brokerage receivables | 0 | 21,839 | 0 | 21,839 | 0 | 24,659 | 0 | 24,659 |
| Financial assets at fair value not held for trading[2] | 27,278 | 28,622 | 4,180 | 60,080 | 40,986 | 35,435 | 3,942 | 80,364 |
| *of which:* | | | | | | | | |
| *Financial assets for unit-linked investment contracts* | *21,110* | *187* | *6* | *21,303* | *20,628* | *101* | *2* | *20,731* |
| *Corporate and municipal bonds* | *123* | *13,937* | *306* | *14,366* | *290* | *16,957* | *372* | *17,619* |
| *Government bills / bonds* | *5,624* | *3,236* | *0* | *8,860* | *19,704* | *3,593* | *0* | *23,297* |
| *Loans* | *0* | *4,982* | *892* | *5,874* | *0* | *7,699* | *862* | *8,561* |
| *Securities financing transactions* | *0* | *5,704* | *100* | *5,804* | *0* | *6,629* | *122* | *6,751* |
| *Auction rate securities* | *0* | *0* | *1,585* | *1,585* | *0* | *0* | *1,527* | *1,527* |
| *Investment fund units* | *338* | *574* | *117* | *1,028* | *278* | *447* | *105* | *831* |
| *Equity instruments* | *83* | *2* | *681* | *765* | *86* | *0* | *544* | *631* |
| *Other* | *0* | *0* | *495* | *495* | *0* | *10* | *408* | *418* |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income[2] | 2,704 | 6,140 | 0 | 8,844 | 1,144 | 7,114 | 0 | 8,258 |
| *of which:* | | | | | | | | |
| *Asset-backed securities* | *0* | *4,849* | *0* | *4,849* | *0* | *6,624* | *0* | *6,624* |
| *Government bills / bonds* | *2,658* | *27* | *0* | *2,686* | *1,103* | *47* | *0* | *1,150* |
| *Corporate and municipal bonds* | *45* | *1,265* | *0* | *1,310* | *40* | *444* | *0* | *485* |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 5,258 | 0 | 0 | 5,258 | 6,264 | 0 | 0 | 6,264 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets[3] | 0 | 0 | 26 | 26 | 0 | 1 | 245 | 246 |
| Total assets measured at fair value | 149,459 | 187,905 | 7,645 | 345,010 | 156,696 | 239,831 | 8,278 | 404,805 |

## Note 21 Fair value measurement (continued)

**Determination of fair values from quoted market prices or valuation techniques (continued)[1]**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 25,413 | 6,170 | 105 | 31,688 | 26,888 | 6,652 | 55 | 33,595 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *18,328* | *513* | *83* | *18,924* | *22,519* | *425* | *40* | *22,985* |
| *Corporate and municipal bonds* | *30* | *4,219* | *17* | *4,266* | *31* | *4,048* | *9* | *4,089* |
| *Government bills / bonds* | *5,883* | *826* | *0* | *6,709* | *3,642* | *1,036* | *0* | *4,678* |
| *Investment fund units* | *1,172* | *555* | *6* | *1,733* | *696* | *1,127* | *5* | *1,828* |
| Derivative financial instruments | 509 | 118,558 | 2,242 | 121,309 | 746 | 156,884 | 3,471 | 161,102 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *258* | *53,800* | *21* | *54,078* | *316* | *70,149* | *61* | *70,527* |
| *Interest rate contracts* | *0* | *28,398* | *278* | *28,675* | *0* | *43,389* | *527* | *43,916* |
| *Equity / index contracts* | *0* | *33,438* | *1,511* | *34,949* | *0* | *38,870* | *2,306* | *41,176* |
| *Credit derivative contracts* | *0* | *1,412* | *341* | *1,753* | *0* | *2,403* | *528* | *2,931* |
| *Commodity contracts* | *0* | *1,503* | *63* | *1,566* | *0* | *2,003* | *24* | *2,027* |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 44,045 | 0 | 44,045 | 0 | 38,742 | 0 | 38,742 |
| Debt issued designated at fair value[2] | 0 | 59,606 | 14,194 | 73,799 | 0 | 50,273 | 10,970 | 61,243 |
| Other financial liabilities designated at fair value[2] | 0 | 29,258 | 816 | 30,074 | 0 | 29,671 | 716 | 30,387 |
| *of which:* | | | | | | | | |
| *Financial liabilities related to unit-linked investment contracts* | *0* | *21,466* | *0* | *21,466* | *0* | *20,975* | *0* | *20,975* |
| *Securities financing transactions* | *0* | *6,375* | *2* | *6,377* | *0* | *7,317* | *0* | *7,317* |
| *Over-the-counter debt instruments* | *0* | *1,334* | *794* | *2,128* | *0* | *1,363* | *697* | *2,060* |
| Total liabilities measured at fair value | 25,922 | 257,637 | 17,357 | 300,916 | 27,635 | 282,222 | 15,212 | 325,069 |

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. 2 As of 31 December 2021, USD 17 billion (31 December 2020: USD 21 billion) of Financial assets at fair value not held for trading, USD 8 billion (31 December 2020: USD 8 billion) of Financial assets measured at fair value through other comprehensive income, USD 36 billion (31 December 2020: USD 16 billion) of Debt issued designated at fair value and USD 1 billion (31 December 2020: USD 1 billion) of Other financial liabilities designated at fair value are expected to be recovered or settled after 12 months. 3 Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

## Valuation techniques

UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flows, relative value and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry-standard cash flow projection models. The discount factors within the calculation are generated using industry-standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry-standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed-form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

Where available, valuation techniques use market-observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. In such cases, the inputs selected are based on historical experience and practice for similar or analogous instruments, derivation of input levels based on similar products with observable price levels, and knowledge of current market conditions and valuation approaches.

For more complex instruments, fair values may be estimated using a combination of observed transaction prices, consensus pricing services and relevant quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. UBS also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. Refer to Note 21f for more information. The discount curves used by the Group incorporate the funding and credit characteristics of the instruments to which they are applied.

## Financial instruments excluding derivatives: valuation and classification in the fair value hierarchy

| Product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Government bills and bonds** | Valuation | – Generally valued using prices obtained directly from the market.<br>– Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments. |
| | Fair value hierarchy | – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1, while the remaining positions are classified as Level 2 and Level 3. |
| **Corporate and municipal bonds** | Valuation | – Generally valued using prices obtained directly from the market for the security, or similar securities, adjusted for seniority, maturity and liquidity.<br>– When prices are not available, instruments are valued using discounted cash flow valuation techniques incorporating the credit spread of the issuer or similar issuers.<br>– For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model. |
| | Fair value hierarchy | – Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources.<br>– Level 3 instruments have no suitable pricing information available. |
| **Traded loans and loans measured at fair value** | Valuation | – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available.<br>– Where no market price data is available, loans are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. Recently originated commercial real estate loans are measured using a securitization approach based on rating agency guidelines. |
| | Fair value hierarchy | – Instruments with suitably deep and liquid pricing information are classified as Level 2.<br>– Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |

## Note 21 Fair value measurement (continued)

| Product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Investment fund units** | Valuation | – Predominantly exchange-traded, with readily available quoted prices in liquid markets.<br>– Where market prices are not available, fair value may be measured using net asset values (NAVs). |
| | Fair value hierarchy | – Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-market classification, while other positions are classified as Level 2.<br>– Positions for which NAVs are not available are classified as Level 3. |
| **Asset-backed securities (ABS)** | Valuation | – For liquid securities, the valuation process will use trade and price data, updated for movements in market levels between the time of trading and the time of valuation. Less liquid instruments are measured using discounted expected cash flows incorporating price data for instruments or indices with similar risk profiles. |
| | Fair value hierarchy | – Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS are generally classified as Level 2. However, if significant inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3. |
| **Auction rate securities (ARS)** | Valuation | – ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate risk emanating from the note coupon, credit risk attributable to the underlying closed-end fund investments, liquidity risk as a function of the level of trading volume in these positions, and extension risk, as ARS are perpetual instruments that require an assumption regarding their maturity or issuer redemption date. |
| | Fair value hierarchy | – Granular and liquid pricing information is generally not available for ARS. As a result, these securities are classified as Level 3. |
| **Equity instruments** | Valuation | – Listed equity instruments are generally valued using prices obtained directly from the market.<br>– Unlisted equity holdings, including private equity positions, are initially marked at their transaction price and are revalued when reliable evidence of price movement becomes available or when the position is deemed to be impaired. |
| | Fair value hierarchy | – The majority of equity securities are actively traded on public stock exchanges where quoted prices are readily and regularly available, resulting in Level 1 classification. |
| **Financial assets for unit-linked investment contracts** | Valuation | – The majority of assets are listed on exchanges and fair values are determined using quoted prices. |
| | Fair value hierarchy | – Most assets are classified as Level 1 if actively traded, or Level 2 if trading is not active.<br>– Instruments for which prices are not readily available are classified as Level 3. |
| **Securities financing transactions** | Valuation | – These instruments are valued using discounted expected cash flow techniques. The discount rate applied is based on funding curves that are relevant to the collateral eligibility terms. |
| | Fair value hierarchy | – Collateral funding curves for these instruments are generally observable and, as a result, these positions are classified as Level 2.<br>– Where the collateral terms are non-standard, the funding curve may be considered unobservable and these positions are classified as Level 3. |
| **Brokerage receivables and payables** | Valuation | – Fair value is determined based on the value of the underlying balances. |
| | Fair value hierarchy | – Due to their on-demand nature, these receivables and payables are deemed as Level 2. |
| **Amounts due under unit-linked investment contracts** | Valuation | – The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets. |
| | Fair value hierarchy | – The liabilities themselves are not actively traded, but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2. |

## Derivative instruments: valuation and classification in the fair value hierarchy

The curves used for discounting expected cash flows in the valuation of collateralized derivatives reflect the funding terms associated with the relevant collateral arrangement for the instrument being valued. These collateral arrangements differ across counterparties with respect to the eligible currency and interest terms of the collateral. The majority of collateralized derivatives are measured using a discount curve based on funding rates derived from overnight interest in the cheapest eligible currency for the respective counterparty collateral agreement.

Uncollateralized and partially collateralized derivatives are discounted using the alternative reference rate (the ARR) (or equivalent) curve for the currency of the instrument. As described in Note 21d, the fair value of uncollateralized and partially collateralized derivatives is then adjusted by credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs), as applicable, to reflect an estimation of the effect of counterparty credit risk, UBS's own credit risk, and funding costs and benefits.

› **Refer to Note 10 for more information about derivative instruments**

| Derivative product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Interest rate contracts** | Valuation | – Interest rate swap contracts are valued by estimating future interest cash flows and discounting those cash flows using a rate that reflects the appropriate funding rate for the position being measured. The yield curves used to estimate future index levels and discount rates are generated using market-standard yield curve models using interest rates associated with current market activity. The key inputs to the models are interest rate swap rates, forward rate agreement rates, short-term interest rate futures prices, basis swap spreads and inflation swap rates.<br>– Interest rate option contracts are valued using various market-standard option models, using inputs that include interest rate yield curves, inflation curves, volatilities and correlations.<br>– When the maturity of an interest rate swap or option contract exceeds the term for which standard market quotes are observable for a significant input parameter, the contracts are valued by extrapolation from the last observable point using standard assumptions or by reference to another observable comparable input parameter to represent a suitable proxy for that portion of the term. |
| | Fair value hierarchy | – The majority of interest rate swaps are classified as Level 2, as the standard market contracts that form the inputs for yield curve models are generally traded in active and observable markets.<br>– Options are generally treated as Level 2, as the calibration process enables the model output to be validated to active-market levels. Models calibrated in this way are then used to revalue the portfolio of both standard options and more exotic products.<br>– Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes.<br>– Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3. |
| **Credit derivative contracts** | Valuation | – Credit derivative contracts are valued using industry-standard models based primarily on market credit spreads, upfront pricing points and implied recovery rates. Where a derivative credit spread is not directly available, it may be derived from the price of the reference cash bond.<br>– Asset-backed credit derivatives are valued using a valuation technique similar to that of the underlying security with an adjustment to reflect the funding differences between cash and synthetic form. |
| | Fair value hierarchy | – Single-entity and portfolio credit derivative contracts are classified as Level 2 when credit spreads and recovery rates are determined from actively traded observable market data. Where the underlying reference name(s) are not actively traded and the correlation cannot be directly mapped to actively traded tranche instruments, these contracts are classified as Level 3.<br>– Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3. |

## Note 21 Fair value measurement (continued)

| Derivative product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Foreign exchange contracts** | Valuation | – Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market.<br>– Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources.<br>– Over-the-counter (OTC) FX option contracts are valued using market-standard option valuation models. The models used for shorter-dated options (i.e., maturities of five years or less) tend to be different than those used for longer-dated options because the models needed for longer-dated OTC FX contracts require additional consideration of interest rate and FX rate interdependency.<br>– The valuation for multi-dimensional FX options uses a multi-local volatility model, which is calibrated to the observed FX volatilities for all relevant FX pairs. |
| | Fair value hierarchy | – The markets for FX spot and FX forward pricing points are both actively traded and observable and therefore such FX contracts are generally classified as Level 2.<br>– A significant proportion of OTC FX option contracts are classified as Level 2 as inputs are derived mostly from standard market contracts traded in active and observable markets.<br>– OTC FX option contracts classified as Level 3 include multi-dimensional FX options and long-dated FX exotic option contracts where there is no active market from which to derive volatility or correlation inputs. |
| **Equity / index contracts** | Valuation | – Equity forward contracts have a single stock or index underlying and are valued using market-standard models. The key inputs to the models are stock prices, estimated dividend rates and equity funding rates (which are implied from prices of forward contracts observed in the market). Estimated cash flows are then discounted using market-standard discounted cash flow models using a rate that reflects the appropriate funding rate for that portion of the portfolio. When no market data is available for the instrument maturity, they are valued by extrapolation of available data, use of historical dividend data, or use of data for a related equity.<br>– Equity option contracts are valued using market-standard models that estimate the equity forward level as described for equity forward contracts and incorporate inputs for stock volatility and for correlation between stocks within a basket. The probability-weighted expected option payoff generated is then discounted using market-standard discounted cash flow models applying a rate that reflects the appropriate funding rate for that portion of the portfolio. When volatility, forward or correlation inputs are not available, they are valued using extrapolation of available data, historical dividend, correlation or volatility data, or the equivalent data for a related equity. |
| | Fair value hierarchy | – As inputs are derived mostly from standard market contracts traded in active and observable markets, a significant proportion of equity forward contracts are classified as Level 2.<br>– Equity option positions for which inputs are derived from standard market contracts traded in active and observable markets are also classified as Level 2. Level 3 positions are those for which volatility, forward or correlation inputs are not observable. |
| **Commodity contracts** | Valuation | – Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments.<br>– Commodity option contracts are measured using market-standard option models that estimate the commodity forward level as described for commodity forward and swap contracts, incorporating inputs for the volatility of the underlying index or commodity. For commodity options on baskets of commodities or bespoke commodity indices, the valuation technique also incorporates inputs for the correlation between different commodities or commodity indices. |
| | Fair value hierarchy | – Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available. |

## d) Valuation adjustments and other items

The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted, where appropriate and when such factors would be considered by market participants in estimating fair value, to reflect close-out costs, credit exposure, model-driven valuation uncertainty, funding costs and benefits, trading restrictions and other factors.

The table below summarizes the valuation adjustment reserves recognized on the balance sheet. Details about each category are provided further below.

**Valuation adjustment reserves on the balance sheet**

| | As of | | |
|---|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Deferred day-1 profit or loss reserves | 418 | 269 | 146 |
| Own credit adjustments on financial liabilities designated at fair value | (315) | (381) | (88) |
| CVAs, FVAs, DVAs and other valuation adjustments | (1,004) | (959) | (706) |

### Deferred day-1 profit or loss reserves

For new transactions where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognized at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, where any such difference is deferred and not initially recognized in the income statement.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters becomes observable or when the transaction is closed out.

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

**Deferred day-1 profit or loss reserves**

| *USD million* | 2021 | 2020 | 2019 |
|---|---|---|---|
| Reserve balance at the beginning of the year | 269 | 146 | 255 |
| Profit / (loss) deferred on new transactions | 459 | 362 | 171 |
| (Profit) / loss recognized in the income statement | (308) | (238) | (278) |
| Foreign currency translation | (2) | 0 | (2) |
| Reserve balance at the end of the year | 418 | 269 | 146 |

### Own credit

Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants.

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognized in *Other comprehensive income* directly within *Retained earnings,* with no reclassification to the income statement in future periods. This presentation does not create or increase an accounting mismatch in the income statement, as the Group does not hedge changes in own credit.

Own credit is estimated using own credit adjustment (OCA) curves, which incorporate observable market data, including market-observed secondary prices for UBS's debt, UBS's credit default swap spreads and debt curves of peers. In the table below, the change in unrealized own credit consists of changes in fair value that are attributable to the change in UBS's credit spreads, as well as the effect of changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay and changes in interest and other market rates. Realized own credit is recognized when an instrument with an associated unrealized OCA is repurchased prior to the contractual maturity date. Life-to-date amounts reflect the cumulative unrealized change since initial recognition.

› **Refer to Note 16 for more information about debt issued designated at fair value**

## Note 21 Fair value measurement (continued)

**Own credit adjustments on financial liabilities designated at fair value**

| | Included in Other comprehensive income | | |
|---|---|---|---|
| | For the year ended | | |
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Recognized during the period: | | | |
| Realized gain / (loss) | (14) | 2 | 8 |
| Unrealized gain / (loss) | 60 | (295) | (408) |
| Total gain / (loss), before tax | 46 | (293) | (400) |

| | As of | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Recognized on the balance sheet as of the end of the period: | | | |
| Unrealized life-to-date gain / (loss) | (315) | (381) | (88) |

### Credit valuation adjustments

In order to measure the fair value of OTC derivative instruments, including funded derivative instruments that are classified as *Financial assets at fair value not held for trading,* CVAs are needed to reflect the credit risk of the counterparty inherent in these instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. A CVA is determined for each counterparty, considering all exposures with that counterparty, and is dependent on the expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses, funding spreads, and other contractual factors.

### Funding valuation adjustments

FVAs reflect the costs and benefits of funding associated with uncollateralized and partially collateralized derivative receivables and payables and are calculated as the valuation effect from moving the discounting of the uncollateralized derivative cash flows from the ARR to OCA using the CVA framework, including the probability of counterparty default. An FVA is also applied to collateralized derivative assets in cases where the collateral cannot be sold or repledged.

### Debit valuation adjustments

A DVA is estimated to incorporate own credit in the valuation of derivatives where an FVA is not already recognized. The DVA calculation is effectively consistent with the CVA framework, being determined for each counterparty, considering all exposures with that counterparty and taking into account collateral netting agreements, expected future mark-to-market movements and UBS's credit default spreads.

### Other valuation adjustments

Instruments that are measured as part of a portfolio of combined long and short positions are valued at mid-market levels to ensure consistent valuation of the long- and short-component risks. A liquidity valuation adjustment is then made to the overall net long or short exposure to move the fair value to bid or offer as appropriate, reflecting current levels of market liquidity. The bid–offer spreads used in the calculation of this valuation adjustment are obtained from market transactions and other relevant sources and are updated periodically.

Uncertainties associated with the use of model-based valuations are incorporated into the measurement of fair value through the use of model reserves. These reserves reflect the amounts that the Group estimates should be deducted from valuations produced directly by models to incorporate uncertainties in the relevant modeling assumptions, in the model and market inputs used, or in the calibration of the model output to adjust for known model deficiencies. In arriving at these estimates, the Group considers a range of market practices, including how it believes market participants would assess these uncertainties. Model reserves are reassessed periodically in light of data from market transactions, consensus pricing services and other relevant sources.

### Other items

In the first half of 2021, UBS incurred a loss of USD 861 million as a result of closing out a significant portfolio of swaps with a US-based client of its prime brokerage business and the unwinding of related hedges, following the client's default. This loss is presented within *Other net income from financial instruments measured at fair value through profit or loss.*

**Valuation adjustments on financial instruments**

| | As of | |
|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.12.21 | 31.12.20 |
| Credit valuation adjustments[1] | (44) | (66) |
| Funding valuation adjustments | (49) | (73) |
| Debit valuation adjustments | 2 | 0 |
| Other valuation adjustments | (913) | (820) |
| *of which: liquidity* | *(341)* | *(340)* |
| *of which: model uncertainty* | *(571)* | *(479)* |

1 Amounts do not include reserves against defaulted counterparties.

## Note 21 Fair value measurement (continued)

### e) Transfers between Level 1 and Level 2

Assets and liabilities transferred from Level 2 to Level 1 during 2021 were not material. Assets and liabilities transferred from Level 1 to Level 2 during 2021 were also not material.

### f) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 December 2021 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of the Group's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by the Group. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

**Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities**

| | Fair value | | | | | | Range of inputs | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | | | 31.12.21 | | | 31.12.20 | | | |
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | Valuation technique(s) | Significant unobservable input(s)[1] | low | high | weighted average[2] | low | high | weighted average[2] | unit[1] |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| *Corporate and municipal bonds* | *0.9* | *1.2* | *0.0* | *0.0* | Relative value to market comparable | Bond price equivalent | 16 | 143 | 98 | 1 | 143 | 100 | points |
| | | | | | Discounted expected cash flows | Discount margin | 434 | 434 | | 268 | 268 | | basis points |
| *Traded loans, loans measured at fair value, loan commitments and guarantees* | *2.8* | *2.4* | *0.0* | *0.0* | Relative value to market comparable | Loan price equivalent | 0 | 101 | 99 | 0 | 101 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 175 | 800 | 436 | 190 | 800 | 398 | basis points |
| | | | | | Market comparable and securitization model | Credit spread | 28 | 1,544 | 241 | 40 | 1,858 | 333 | basis points |
| *Auction rate securities* | *1.6* | *1.5* | | | Discounted expected cash flows | Credit spread | 115 | 197 | 153 | 100 | 188 | 140 | basis points |
| *Investment fund units[3]* | *0.1* | *0.1* | *0.0* | *0.0* | Relative value to market comparable | Net asset value | | | | | | | |
| *Equity instruments[3]* | *0.8* | *0.7* | *0.1* | *0.0* | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value[4] | | | *14.2* | *11.0* | | | | | | | | | |
| Other financial liabilities designated at fair value | | | *0.8* | *0.7* | Discounted expected cash flows | Funding spread | 24 | 175 | | 42 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| *Interest rate contracts* | *0.5* | *0.5* | *0.3* | *0.5* | Option model | Volatility of interest rates | 65 | 81 | | 29 | 69 | | basis points |
| *Credit derivative contracts* | *0.2* | *0.3* | *0.3* | *0.5* | Discounted expected cash flows | Credit spreads | 1 | 583 | | 1 | 489 | | basis points |
| | | | | | | Bond price equivalent | 2 | 136 | | 0 | 100 | | points |
| *Equity / index contracts* | *0.4* | *0.9* | *1.5* | *2.3* | Option model | Equity dividend yields | 0 | 11 | | 0 | 13 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 98 | | 4 | 100 | | % |
| | | | | | | Equity-to-FX correlation | (29) | 76 | | (34) | 65 | | % |
| | | | | | | Equity-to-equity correlation | (25) | 100 | | (16) | 100 | | % |

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. 3 The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. 4 Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

**Note 21 Fair value measurement (continued)**

## Significant unobservable inputs in Level 3 positions

This section discusses the significant unobservable inputs used in the valuation of Level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement. Relationships between observable and unobservable inputs have not been included in the summary below.

| Input | Description |
|---|---|
| **Bond price equivalent** | – Where market prices are not available for a bond, fair value is measured by comparison with observable pricing data from similar instruments. Factors considered when selecting comparable instruments include credit quality, maturity and industry of the issuer. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield (either as an outright yield or as a spread to the relevant benchmark rate).<br>– For corporate and municipal bonds, the range represents the range of prices from reference issuances used in determining fair value. Bonds priced at 0 are distressed to the point that no recovery is expected, while prices significantly in excess of 100 or par relate to inflation-linked or structured issuances that pay a coupon in excess of the market benchmark as of the measurement date.<br>– For credit derivatives, the bond price range represents the range of prices used for reference instruments, which are typically converted to an equivalent yield or credit spread as part of the valuation process. |
| **Loan price equivalent** | – Where market prices are not available for a traded loan, fair value is measured by comparison with observable pricing data for similar instruments. Factors considered when selecting comparable instruments include industry segment, collateral quality, maturity and issuer-specific covenants. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield. The range represents the range of prices derived from reference issuances of a similar credit quality used to measure fair value for loans classified as Level 3. Loans priced at 0 are distressed to the point that no recovery is expected, while a current price of 100 represents a loan that is expected to be repaid in full. |
| **Credit spread** | – Valuation models for many credit derivatives require an input for the credit spread, which is a reflection of the credit quality of the associated referenced underlying. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either US Treasury or ARR, and is generally expressed in terms of basis points. An increase / (decrease) in credit spread will increase / (decrease) the value of credit protection offered by credit default swaps and other credit derivative products. The income statement effect from such changes depends on the nature and direction of the positions held. Credit spreads may be negative where the asset is more creditworthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness. The range represents a diverse set of underlyings, with the lower end of the range representing credits of the highest quality and the upper end of the range representing greater levels of credit risk. |
| **Discount margin** | – The discount margin (DM) spread represents the discount rates applied to present value cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. DM spreads are a rate or rates applied on top of a floating index (e.g., Secured Overnight Financing Rate (SOFR)) to discount expected cash flows. Generally, a decrease / (increase) in the DM in isolation would result in a higher / (lower) fair value.<br>– The high end of the range relates to securities that are priced low within the market relative to the expected cash flow schedule. This indicates that the market is pricing an increased risk of credit loss into the security that is greater than what is being captured by the expected cash flow generation process. The low ends of the ranges are typical of funding rates on better-quality instruments. |
| **Funding spread** | – Structured financing transactions are valued using synthetic funding curves that best represent the assets that are pledged as collateral for the transactions. They are not representative of where UBS can fund itself on an unsecured basis, but provide an estimate of where UBS can source and deploy secured funding with counterparties for a given type of collateral. The funding spreads are expressed in terms of basis points, and if funding spreads widen, this increases the effect of discounting.<br>– A small proportion of structured debt instruments and non-structured fixed-rate bonds within financial liabilities designated at fair value had an exposure to funding spreads that was longer in duration than the actively traded market. |
| **Volatility** | – Volatility measures the variability of future prices for a particular instrument and is generally expressed as a percentage, where a higher number reflects a more volatile instrument, for which future price movements are more likely to occur. Volatility is a key input into option models, where it is used to derive a probability-based distribution of future prices for the underlying instrument. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active-market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility "smile" or "skew," which represents the effect of pricing options of different option strikes at different implied volatility levels.<br>– Volatilities of low interest rates tend to be much higher than volatilities of high interest rates. In addition, different currencies may have significantly different implied volatilities. |

| Input | Description |
|---|---|
| **Correlation** | – Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage between –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable is associated with a movement of the other variable in the same direction) and –100% implies that the variables are inversely correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposite direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments being valued, reflecting the range of different payoff features within such instruments.<br>– Equity-to-FX correlation is important for equity options based on a currency other than the currency of the underlying stock. Equity-to-equity correlation is particularly important for complex options that incorporate, in some manner, different equities in the projected payoff. |
| **Equity dividend yields** | – The derivation of a forward price for an individual stock or index is important for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings, and, to a lesser extent, the relevant funding rates applicable to the stock in question. Dividend yields are generally expressed as an annualized percentage of the share price, with the lowest limit of 0% representing a stock that is not expected to pay any dividend. The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price. |

## g) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible favorable and unfavorable alternative assumptions would change fair value significantly, and the estimated effect thereof. The table below does not represent the estimated effect of stress scenarios. Interdependencies between Level 1, 2 and 3 parameters have not been incorporated in the table. Furthermore, direct inter-relationships between the Level 3 parameters discussed below are not a significant element of the valuation uncertainty.

Sensitivity data is estimated using a number of techniques, including the estimation of price dispersion among different market participants, variation in modeling approaches and reasonably possible changes to assumptions used within the fair value measurement process. The sensitivity ranges are not always symmetrical around the fair values, as the inputs used in valuations are not always precisely in the middle of the favorable and unfavorable range.

Sensitivity data is determined at a product or parameter level and then aggregated assuming no diversification benefit. Diversification would incorporate estimated correlations across different sensitivity results and, as such, would result in an overall sensitivity that would be less than the sum of the individual component sensitivities. However, the Group believes that the diversification benefit is not significant to this analysis.

**Sensitivity of fair value measurements to changes in unobservable input assumptions[1]**

| | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| *USD million* | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans designated at fair value, loan commitments and guarantees | 19 | (13) | 29 | (28) |
| Securities financing transactions | 41 | (53) | 40 | (52) |
| Auction rate securities | 66[2] | (66)[2] | 105 | (105) |
| Asset-backed securities | 20 | (20) | 41 | (41) |
| Equity instruments | 173 | (146) | 129 | (96) |
| Interest rate derivative contracts, net | 29 | (19) | 11 | (16) |
| Credit derivative contracts, net | 5 | (8) | 10 | (14) |
| Foreign exchange derivative contracts, net | 19 | (11) | 20 | (15) |
| Equity / index derivative contracts, net | 368 | (335) | 318 | (294) |
| Other | 50 | (73) | 91 | (107) |
| Total | 790 | (744) | 794 | (768) |

1 Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. 2 Includes refinements applied in estimating valuation uncertainty across various parameters and a change in assumptions regarding the underlying statistical distribution.

## Note 21 Fair value measurement (continued)

### h) Level 3 instruments: movements during the period

The table below presents additional information about material movements in Level 3 assets and liabilities measured at fair value on a recurring basis, excluding any related hedging activity.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

**Movements of Level 3 instruments**

| | | Total gains / losses included in comprehensive income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *USD billion* | Balance as of 31 December 2019 | Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 31 December 2020 |
| Financial assets at fair value held for trading | 1.8 | (0.1) | *(0.1)* | 0.8 | (1.4) | 1.0 | 0.0 | 0.3 | 0.0 | 0.0 | 2.3 |
| *of which:* | | | | | | | | | | | |
| *Investment fund units* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Corporate and municipal bonds* | *0.5* | *0.0* | *0.0* | *0.7* | *(0.5)* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.8* |
| *Loans* | *0.8* | *0.0* | *(0.1)* | *0.0* | *(0.7)* | *1.0* | *0.0* | *0.1* | *0.0* | *0.0* | *1.1* |
| *Other* | *0.4* | *0.0* | *0.0* | *0.1* | *(0.3)* | *0.0* | *0.0* | *0.2* | *0.0* | *0.0* | *0.4* |
| Derivative financial instruments – assets | 1.3 | 0.3 | *0.4* | 0.0 | 0.0 | 0.7 | (0.5) | 0.1 | (0.2) | 0.1 | 1.8 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.3* | *0.2* | *0.2* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Equity / index contracts* | *0.6* | *0.1* | *0.1* | *0.0* | *0.0* | *0.6* | *(0.3)* | *0.0* | *(0.1)* | *0.0* | *0.9* |
| *Credit derivative contracts* | *0.4* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.1* | *0.0* | *0.0* | *0.3* |
| *Other* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| Financial assets at fair value not held for trading | 4.0 | 0.0 | *0.1* | 0.8 | (0.9) | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 3.9 |
| *of which:* | | | | | | | | | | | |
| *Loans* | *1.2* | *0.0* | *0.0* | *0.3* | *(0.7)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.9* |
| *Auction rate securities* | *1.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.5* |
| *Equity instruments* | *0.5* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Other* | *0.7* | *0.0* | *0.0* | *0.4* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.0* |
| Derivative financial instruments – liabilities | 2.0 | 1.3 | *1.2* | 0.0 | 0.0 | 1.2 | (0.9) | 0.4 | (0.6) | 0.1 | 3.5 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.1* | *0.3* | *0.3* | *0.0* | *0.0* | *0.3* | *(0.2)* | *0.2* | *(0.2)* | *0.0* | *0.5* |
| *Equity / index contracts* | *1.3* | *1.0* | *0.8* | *0.0* | *0.0* | *0.8* | *(0.6)* | *0.1* | *(0.2)* | *0.0* | *2.3* |
| *Credit derivative contracts* | *0.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.1* | *(0.2)* | *0.0* | *0.5* |
| *Other* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* |
| Debt issued designated at fair value | 9.9 | 0.2 | *0.0* | 0.0 | 0.0 | 7.6 | (5.7) | 0.5 | (1.7) | 0.2 | 11.0 |
| Other financial liabilities designated at fair value | 0.8 | 0.1 | *0.1* | 0.0 | 0.0 | 0.3 | (0.5) | 0.0 | 0.0 | 0.0 | 0.7 |

1 Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. 2 Total Level 3 assets as of 31 December 2021 were USD 7.6 billion (31 December 2020: USD 8.3 billion). Total Level 3 liabilities as of 31 December 2021 were USD 17.4 billion (31 December 2020: USD 15.2 billion).

## Note 21 Fair value measurement (continued)

| | Total gains / losses included in comprehensive income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as of 31 December 2020[2] | Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 31 December 2021[2] |
| 2.3 | 0.0 | *(0.1)* | 0.3 | (1.6) | 1.2 | 0.0 | 0.3 | (0.3) | 0.0 | 2.3 |
| | | | | | | | | | | |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *0.8* | *0.0* | *0.0* | *0.2* | *(0.4)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.6* |
| *1.1* | *0.0* | *0.0* | *0.0* | *(0.8)* | *1.2* | *0.0* | *0.0* | *(0.2)* | *0.0* | *1.4* |
| *0.4* | *0.0* | *0.0* | *0.1* | *(0.4)* | *0.0* | *0.0* | *0.3* | *0.0* | *0.0* | *0.3* |
| 1.8 | (0.2) | *(0.1)* | 0.0 | 0.0 | 0.5 | (0.7) | 0.1 | (0.3) | 0.0 | 1.1 |
| | | | | | | | | | | |
| *0.5* | *0.1* | *0.1* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.0* | *(0.1)* | *0.0* | *0.5* |
| *0.9* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.3* | *(0.4)* | *0.0* | *(0.2)* | *0.0* | *0.4* |
| *0.3* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.2* |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| 3.9 | 0.1 | *0.1* | 1.0 | (0.6) | 0.0 | 0.0 | 0.1 | (0.3) | 0.0 | 4.2 |
| | | | | | | | | | | |
| *0.9* | *0.0* | *0.0* | *0.6* | *(0.3)* | *0.0* | *0.0* | *0.0* | *(0.3)* | *0.0* | *0.9* |
| *1.5* | *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.6* |
| *0.5* | *0.1* | *0.1* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.7* |
| *1.0* | *0.0* | *(0.1)* | *0.3* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.0* |
| 3.5 | 0.2 | *0.0* | 0.0 | 0.0 | 0.9 | (1.8) | 0.0 | (0.5) | 0.0 | 2.2 |
| | | | | | | | | | | |
| *0.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.3* |
| *2.3* | *0.3* | *0.1* | *0.0* | *0.0* | *0.8* | *(1.5)* | *0.0* | *(0.4)* | *0.0* | *1.5* |
| *0.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.3* |
| *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.1* |
| 11.0 | 0.7 | *0.6* | 0.0 | 0.0 | 8.0 | (4.2) | 0.2 | (1.2) | (0.2) | 14.2 |
| 0.7 | 0.0 | *0.0* | 0.0 | 0.0 | 0.4 | (0.2) | 0.0 | 0.0 | 0.0 | 0.8 |

## Note 21 Fair value measurement (continued)

### i) Maximum exposure to credit risk for financial instruments measured at fair value

The tables below provide the Group's maximum exposure to credit risk for financial instruments measured at fair value and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS.

**Maximum exposure to credit risk**

| | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral | | | | Credit enhancements | | | |
| USD billion | Maximum exposure to credit risk | Cash collateral received | Collateral-ized by securities | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at fair value on the balance sheet[1] | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments[2,3] | 22.4 | | | | | | | | 22.4 |
| Derivative financial instruments[4,5] | 118.1 | | 4.2 | | | 103.2 | | | 10.7 |
| Brokerage receivables | 21.8 | | 21.6 | | | | | | 0.2 |
| Financial assets at fair value not held for trading – debt instruments[6] | 37.0 | | 11.2 | | | | | | 25.7 |
| Total financial assets measured at fair value | 199.4 | 0.0 | 37.1 | 0.0 | 0.0 | 103.2 | 0.0 | 0.0 | 59.1 |
| Guarantees[7] | 0.2 | | | | | | | 0.2 | 0.0 |

| | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral | | | | Credit enhancements | | | |
| USD billion | Maximum exposure to credit risk | Cash collateral received | Collateral-ized by securities | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at fair value on the balance sheet[1] | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments[2,3] | 24.6 | | | | | | | | 24.6 |
| Derivative financial instruments[4,5] | 159.6 | | 6.0 | | | 138.4 | | | 15.2 |
| Brokerage receivables | 24.7 | | 24.4 | | | | | | 0.3 |
| Financial assets at fair value not held for trading – debt instruments[6] | 58.2 | | 13.2 | | | | | | 45.0 |
| Total financial assets measured at fair value | 267.1 | 0.0 | 43.6 | 0.0 | 0.0 | 138.4 | 0.0 | 0.0 | 85.1 |
| Guarantees[7] | 0.5 | | | | 0.1 | | | 0.3 | 0.0 |

1 The maximum exposure to loss is generally equal to the carrying amount and subject to change over time with market movements. 2 These positions are generally managed under the market risk framework. For the purpose of this disclosure, collateral and credit enhancements were not considered. 3 Does not include investment fund units. 4 Includes USD 0 million (31 December 2020: USD 0 million) fair values of loan commitments and forward starting reverse repurchase agreements classified as derivatives. The full contractual committed amount of forward starting reverse repurchase agreements (generally highly collateralized) of USD 27.8 billion (31 December 2020: USD 21.9 billion) and derivative loan commitments (generally unsecured) of USD 8.2 billion, of which USD 0.8 billion has been sub-participated (31 December 2020: USD 9.4 billion, of which USD 0.8 billion had been sub-participated), is presented in Note 10 under notional amounts. 5 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. 6 Financial assets at fair value not held for trading collateralized by securities consisted of structured loans and reverse repurchase and securities borrowing agreements. 7 The amount shown in the "Guarantees" column largely relates to sub-participations.

## Note 21 Fair value measurement (continued)

### j) Financial instruments not measured at fair value

The table below provides the estimated fair values of financial instruments not measured at fair value.

**Financial instruments not measured at fair value**

| | 31.12.21 | | | | | | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | | | Carrying amount | Fair value | | | | |
| *USD billion* | Total | Carrying amount approximates fair value[1] | Level 1 | Level 2 | Level 3 | Total | Total | Carrying amount approximates fair value[1] | Level 1 | Level 2 | Level 3 | Total |
| Assets[2] | | | | | | | | | | | | |
| Cash and balances at central banks | 192.8 | 192.7 | 0.1 | 0.0 | 0.0 | 192.8 | 158.2 | 158.1 | 0.1 | 0.0 | 0.0 | 158.2 |
| Loans and advances to banks | 15.5 | 14.8 | 0.0 | 0.7 | 0.0 | 15.5 | 15.4 | 14.7 | 0.0 | 0.6 | 0.1 | 15.4 |
| Receivables from securities financing transactions | 75.0 | 71.6 | 0.0 | 1.3 | 2.1 | 75.0 | 74.2 | 64.9 | 0.0 | 7.6 | 1.7 | 74.2 |
| Cash collateral receivables on derivative instruments | 30.5 | 30.5 | 0.0 | 0.0 | 0.0 | 30.5 | 32.7 | 32.7 | 0.0 | 0.0 | 0.0 | 32.7 |
| Loans and advances to customers | 397.8 | 163.1 | 0.0 | 43.8 | 190.1 | 396.9 | 379.5 | 172.0 | 0.0 | 34.2 | 174.6 | 380.8 |
| Other financial assets measured at amortized cost | 26.2 | 4.1 | 9.3 | 10.7 | 2.4 | 26.5 | 27.2 | 5.3 | 9.4 | 10.9 | 2.3 | 28.0 |
| Liabilities[2] | | | | | | | | | | | | |
| Amounts due to banks | 13.1 | 9.1 | 0.0 | 4.0 | 0.0 | 13.1 | 11.0 | 8.5 | 0.0 | 2.6 | 0.0 | 11.0 |
| Payables from securities financing transactions | 5.5 | 4.1 | 0.0 | 1.5 | 0.0 | 5.5 | 6.3 | 6.0 | 0.0 | 0.3 | 0.0 | 6.3 |
| Cash collateral payables on derivative instruments | 31.8 | 31.8 | 0.0 | 0.0 | 0.0 | 31.8 | 37.3 | 37.3 | 0.0 | 0.0 | 0.0 | 37.3 |
| Customer deposits | 542.0 | 535.4 | 0.0 | 6.6 | 0.0 | 542.0 | 524.6 | 519.4 | 0.0 | 5.3 | 0.0 | 524.7 |
| Debt issued measured at amortized cost | 139.2 | 15.8 | 0.0 | 125.3 | 0.0 | 141.1 | 139.2 | 16.4 | 0.0 | 125.5 | 0.0 | 141.9 |
| Other financial liabilities measured at amortized cost[3] | 5.4 | 5.4 | 0.0 | 0.0 | 0.0 | 5.4 | 5.8 | 5.7 | 0.0 | 0.0 | 0.1 | 5.8 |

1 Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand, or with a remaining maturity (excluding the effects of callable features) of three months or less). 2 As of 31 December 2021, USD 0 billion (31 December 2020: USD 0 billion) of Cash and balances at central banks, USD 0 billion (31 December 2020: USD 0 billion) of Loans and advances to banks, USD 1 billion (31 December 2020: USD 1 billion) of Receivables from securities financing transactions, USD 175 billion (31 December 2020: USD 163 billion) of Loans and advances to customers, USD 19 billion (31 December 2020: USD 20 billion) of Other financial assets measured at amortized cost, USD 1 billion (31 December 2020: USD 0 billion) of Amounts due to banks, USD 3 billion (31 December 2020: USD 2 billion) of Customer deposits, USD 84 billion (31 December 2020: USD 82 billion) of Debt issued measured at amortized cost and USD 3 billion (31 December 2020: USD 3 billion) of Other financial liabilities measured at amortized cost were expected to be recovered or settled after 12 months. 3 Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions described below relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another. The following principles were applied when determining fair value estimates for financial instruments not measured at fair value:

- For financial instruments with remaining maturities greater than three months, the fair value was determined from quoted market prices, if available.
- Where quoted market prices were not available, the fair values were estimated by discounting contractual cash flows using current market interest rates or appropriate yield curves for instruments with similar credit risk and maturity. These estimates generally include adjustments for counterparty credit risk or UBS's own credit.
- For short-term financial instruments with remaining maturities of three months or less, the carrying amount, which is net of credit loss allowances, is generally considered a reasonable estimate of fair value.

## Note 22 Offsetting financial assets and financial liabilities

UBS enters into netting agreements with counterparties to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, over-the-counter derivatives, and exchange-traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set off liabilities against available assets received in the ordinary course of business and / or in the event that the counterparties to the transaction are unable to fulfill their contractual obligations.

The tables on this page and the next page provide a summary of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements, as well as financial collateral received or pledged to mitigate credit exposures for these financial instruments.

The Group engages in a variety of counterparty credit risk mitigation strategies in addition to netting and collateral arrangements. Therefore the net amounts presented in the tables on this page and the next page do not purport to represent their actual credit risk exposure.

**Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements**

| | Assets subject to netting arrangements | | | | | | Assets not subject to netting arrangements[4] | Total assets | |
|---|---|---|---|---|---|---|---|---|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet[3] | | | | | |
| *As of 31.12.21, USD billion* | Gross assets before netting | Netting with gross liabilities[2] | Net assets recognized on the balance sheet | Financial liabilities | Collateral received | Assets after consideration of netting potential | Assets recognized on the balance sheet | Total assets after consideration of netting potential | Total assets recognized on the balance sheet |
| Receivables from securities financing transactions | 67.7 | (13.8) | 53.9 | (2.9) | (51.0) | 0.0 | 21.1 | 21.1 | 75.0 |
| Derivative financial instruments | 116.0 | (3.6) | 112.4 | (88.9) | (18.5) | 5.0 | 5.7 | 10.7 | 118.1 |
| Cash collateral receivables on derivative instruments[1] | 29.4 | 0.0 | 29.4 | (15.2) | (3.3) | 11.0 | 1.1 | 12.1 | 30.5 |
| Financial assets at fair value not held for trading | 93.1 | (87.6) | 5.5 | (1.1) | (4.4) | 0.0 | 54.6 | 54.6 | 60.1 |
| *of which: reverse repurchase agreements* | *93.1* | *(87.6)* | *5.5* | *(1.1)* | *(4.4)* | *0.0* | *0.3* | *0.3* | *5.8* |
| Total assets | 306.2 | (105.0) | 201.2 | (108.1) | (77.2) | 15.9 | 82.6 | 98.5 | 283.7 |
| | | | | | | | | | |
| *As of 31.12.20, USD billion* | | | | | | | | | |
| Receivables from securities financing transactions | 70.3 | (13.4) | 57.0 | (1.7) | (55.3) | 0.0 | 17.3 | 17.3 | 74.2 |
| Derivative financial instruments | 156.9 | (5.0) | 151.9 | (117.2) | (27.2) | 7.5 | 7.7 | 15.2 | 159.6 |
| Cash collateral receivables on derivative instruments[1] | 31.9 | 0.0 | 31.9 | (19.6) | (1.5) | 10.8 | 0.8 | 11.6 | 32.7 |
| Financial assets at fair value not held for trading | 85.6 | (79.1) | 6.5 | (0.8) | (5.8) | 0.0 | 73.9 | 73.9 | 80.4 |
| *of which: reverse repurchase agreements* | *85.6* | *(79.1)* | *6.5* | *(0.8)* | *(5.8)* | *0.0* | *0.2* | *0.2* | *6.7* |
| Total assets | 344.8 | (97.5) | 247.3 | (139.3) | (89.8) | 18.3 | 99.7 | 117.9 | 346.9 |

1 The net amount of Cash collateral receivables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross liabilities" column corresponding directly to the amounts presented in the "Netting with gross assets" column in the liabilities table presented on the following page. Netting in this column for reverse repurchase agreements presented within the lines "Receivables from securities financing transactions" and "Financial assets at fair value not held for trading" taken together corresponds to the amounts presented for repurchase agreements in the "Payables from securities financing transactions" and "Other financial liabilities designated at fair value" lines in the liabilities table presented on the following page. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial assets presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

## Note 22 Offsetting financial assets and financial liabilities (continued)

**Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements**

| | Liabilities subject to netting arrangements | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet[3] | | | Liabilities not subject to netting arrangements[4] | Total liabilities | |
| *As of 31.12.21, USD billion* | Gross liabilities before netting | Netting with gross assets[2] | Net liabilities recognized on the balance sheet | Financial assets | Collateral pledged | Liabilities after consideration of netting potential | Liabilities recognized on the balance sheet | Total liabilities after consideration of netting potential | Total liabilities recognized on the balance sheet |
| Payables from securities financing transactions | 16.9 | (12.8) | 4.1 | (1.8) | (2.3) | 0.0 | 1.4 | 1.4 | 5.5 |
| Derivative financial instruments | 118.4 | (3.6) | 114.9 | (88.9) | (18.1) | 7.9 | 6.4 | 14.3 | 121.3 |
| Cash collateral payables on derivative instruments[1] | 30.4 | 0.0 | 30.4 | (13.1) | (3.3) | 14.0 | 1.4 | 15.4 | 31.8 |
| Other financial liabilities designated at fair value | 94.8 | (88.6) | 6.2 | (2.2) | (3.8) | 0.2 | 23.9 | 24.1 | 30.1 |
| *of which: repurchase agreements* | *94.6* | *(88.6)* | *6.0* | *(2.2)* | *(3.8)* | *0.0* | *0.4* | *0.4* | *6.4* |
| Total liabilities | 260.6 | (105.0) | 155.6 | (106.0) | (27.5) | 22.1 | 33.1 | 55.2 | 188.7 |
| *As of 31.12.20, USD billion* | | | | | | | | | |
| Payables from securities financing transactions | 18.2 | (13.3) | 4.9 | (1.6) | (3.3) | 0.0 | 1.4 | 1.4 | 6.3 |
| Derivative financial instruments | 157.1 | (5.0) | 152.1 | (117.2) | (23.9) | 10.9 | 9.0 | 19.9 | 161.1 |
| Cash collateral payables on derivative instruments[1] | 35.6 | 0.0 | 35.6 | (19.6) | (2.1) | 13.9 | 1.7 | 15.7 | 37.3 |
| Other financial liabilities designated at fair value | 87.0 | (79.2) | 7.8 | (0.8) | (6.3) | 0.7 | 22.6 | 23.3 | 30.4 |
| *of which: repurchase agreements* | *86.2* | *(79.2)* | *7.0* | *(0.8)* | *(6.3)* | *0.0* | *0.3* | *0.3* | *7.3* |
| Total liabilities | 297.8 | (97.5) | 200.3 | (139.2) | (35.5) | 25.6 | 34.8 | 60.4 | 235.1 |

1 The net amount of Cash collateral payables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross assets" column corresponding to the amounts presented in the "Netting with gross liabilities" column in the assets table presented on the previous page. Netting in this column for repurchase agreements presented within the lines "Payables from securities financing transactions" and "Other financial liabilities designated at fair value" taken together corresponds to the amounts presented for reverse repurchase agreements in the "Receivables from securities financing transactions" and "Financial assets at fair value not held for trading" lines in the assets table presented on the previous page. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial liabilities presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

## Note 23 Restricted and transferred financial assets

This Note provides information about restricted financial assets (Note 23a), transfers of financial assets (Note 23b and 23c) and financial assets that are received as collateral with the right to resell or repledge these assets (Note 23d).

### a) Restricted financial assets

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and other assets that are otherwise explicitly restricted such that they cannot be used to secure funding.

Financial assets are mainly pledged as collateral in securities lending transactions, in repurchase transactions, against loans from Swiss mortgage institutions and in connection with the issuance of covered bonds. The Group generally enters into repurchase and securities lending arrangements under standard market agreements. For securities lending, the cash received as collateral may be more or less than the fair value of the securities loaned, depending on the nature of the transaction. For repurchase agreements, the fair value of the collateral sold under an agreement to repurchase is generally in excess of the cash borrowed. Pledged mortgage loans serve as collateral for existing liabilities against Swiss central mortgage institutions and for existing covered bond issuances of USD 10,843 million as of 31 December 2021 (31 December 2020: USD 12,456 million).

Other restricted financial assets include assets protected under client asset segregation rules, assets held by the Group's insurance entities to back related liabilities to the policy holders, assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements. The carrying amount of the liabilities associated with these other restricted financial assets is generally equal to the carrying amount of the assets, with the exception of assets held to comply with local asset maintenance requirements, for which the associated liabilities are greater.

**Restricted financial assets**

| *USD million* | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| | Restricted financial assets | *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *of which: mortgage loans*[1] | Restricted financial assets | *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *of which: mortgage loans*[1] |
| Financial assets pledged as collateral | | | | | | |
| Financial assets at fair value held for trading | 63,725 | *43,397* | | 64,367 | *47,098* | |
| Loans and advances to customers | 18,160 | | *16,330* | 20,361 | | *18,191* |
| Financial assets at fair value not held for trading | 961 | *961* | | 2,140 | *2,140* | |
| Debt securities classified as Other financial assets measured at amortized cost | 2,234 | *1,870* | | 2,506 | *2,506* | |
| Financial assets measured at fair value through other comprehensive income | 0 | *0* | | 149 | *149* | |
| Total financial assets pledged as collateral[2] | 85,079 | | | 89,523 | | |
| | | | | | | |
| Other restricted financial assets | | | | | | |
| Loans and advances to banks | 3,408 | | | 3,730 | | |
| Financial assets at fair value held for trading | 392 | | | 741 | | |
| Cash collateral receivables on derivative instruments | 4,747 | | | 3,765 | | |
| Loans and advances to customers | 1,237 | | | 756 | | |
| Financial assets at fair value not held for trading | 22,765 | | | 23,243 | | |
| Financial assets measured at fair value through other comprehensive income | 894 | | | 0 | | |
| Other | 97 | | | 110 | | |
| Total other restricted financial assets | 33,540 | | | 32,345 | | |
| Total financial assets pledged and other restricted financial assets | 118,619 | | | 121,868 | | |

1 All related to mortgage loans that serve as collateral for existing liabilities toward Swiss central mortgage institutions and for existing covered bond issuances. Of these pledged mortgage loans, approximately USD 2.7 billion as of 31 December 2021 (31 December 2020: approximately USD 2.7 billion) could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements. 2 Does not include assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2021: USD 4.4 billion; 31 December 2020: USD 1.3 billion).

In addition to restrictions on financial assets, UBS Group AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within the Group, as well as intercompany lending. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review process, which may limit the relevant subsidiaries' ability to make distributions of capital based on the results of those tests.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries.

Non-regulated subsidiaries are generally not subject to such requirements and transfer restrictions. However, restrictions can also be the result of different legal, regulatory, contractual, entity- or country-specific arrangements and / or requirements.

› **Refer to the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report for financial information about significant regulated subsidiaries of the Group**

## b) Transferred financial assets that are not derecognized in their entirety

The table below presents information for financial assets that have been transferred but are subject to continued recognition in full, as well as recognized liabilities associated with those transferred assets.

**Transferred financial assets subject to continued recognition in full**

| *USD million* | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet |
| Financial assets at fair value held for trading that may be sold or repledged by counterparties | 43,397 | 17,687 | 47,098 | 18,874 |
| *relating to securities lending and repurchase agreements in exchange for cash received* | *17,970* | *17,687* | *19,177* | *18,874* |
| *relating to securities lending agreements in exchange for securities received* | *24,146* | | *27,595* | |
| *relating to other financial asset transfers* | *1,281* | | *326* | |
| Financial assets at fair value not held for trading that may be sold or repledged by counterparties | 961 | 898 | 2,140 | 1,378 |
| Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties | 1,870 | 1,725 | 2,506 | 1,963 |
| Financial assets measured at fair value through other comprehensive income that may be sold or repledged by counterparties | 0 | 0 | 149 | 148 |
| Total financial assets transferred | 46,227 | 20,311 | 51,893 | 22,363 |

Transactions in which financial assets are transferred, but continue to be recognized in their entirety on UBS's balance sheet include securities lending and repurchase agreements, as well as other financial asset transfers. Repurchase and securities lending arrangements are, for the most part, conducted under standard market agreements and are undertaken with counterparties subject to UBS's normal credit risk control processes.

› **Refer to Note 1a item 2e for more information about repurchase and securities lending agreements**

As of 31 December 2021, approximately 41% of the transferred financial assets were assets held for trading transferred in exchange for cash, in which case the associated recognized liability represents the amount to be repaid to counterparties. For securities lending and repurchase agreements, a haircut of between 0% and 15% is generally applied to the transferred assets, which results in associated liabilities having a carrying amount below the carrying amount of the transferred assets. The counterparties to the associated liabilities presented in the table above have full recourse to UBS.

In securities lending arrangements entered into in exchange for the receipt of other securities as collateral, neither the securities received nor the obligation to return them are recognized on UBS's balance sheet, as the risks and rewards of ownership are not transferred to UBS. In cases where such financial assets received are subsequently sold or repledged in another transaction, this is not considered to be a transfer of financial assets.

Other financial asset transfers primarily include securities transferred to collateralize derivative transactions, for which the carrying amount of associated liabilities is not provided in the table above, because those replacement values are managed on a portfolio basis across counterparties and product types, and therefore there is no direct relationship between the specific collateral pledged and the associated liability.

Transferred financial assets that are not subject to derecognition in full but remain on the balance sheet to the extent of the Group's continuing involvement were not material as of 31 December 2021 and as of 31 December 2020.

**Note 23 Restricted and transferred financial assets (continued)**

## c) Transferred financial assets that are derecognized in their entirety with continuing involvement

Continuing involvement in a transferred and fully derecognized financial asset may result from contractual provisions in the particular transfer agreement or from a separate agreement, with the counterparty or a third party, entered into in connection with the transfer.

The fair value and carrying amount of UBS's continuing involvement from transferred positions as of 31 December 2021 and 31 December 2020 was not material. Life-to-date losses reported in prior periods primarily relate to legacy positions in securitization vehicles which have been fully marked down, with no remaining exposure to loss.

## d) Off-balance sheet assets received

The table below presents assets received from third parties that can be sold or repledged and that are not recognized on the balance sheet, but that are held as collateral, including amounts that have been sold or repledged.

**Off-balance sheet assets received**

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Fair value of assets received that can be sold or repledged | 497,828 | 500,689 |
| *received as collateral under reverse repurchase, securities borrowing and lending arrangements, derivative and other transactions*[1] | *483,426* | *487,904* |
| *received in unsecured borrowings* | *14,402* | *12,785* |
| Thereof sold or repledged[2] | 367,440 | 367,258 |
| *in connection with financing activities* | *319,176* | *315,603* |
| *to satisfy commitments under short sale transactions* | *31,688* | *33,595* |
| *in connection with derivative and other transactions*[1] | *16,575* | *18,059* |

1 Includes securities received as initial margin from its clients that UBS is required to remit to central counterparties, brokers and deposit banks through its exchange-traded derivative clearing and execution services.
2 Does not include off-balance sheet securities (31 December 2021: USD 12.7 billion; 31 December 2020: USD 18.9 billion) placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes for which there are no associated liabilities or contingent liabilities.

## Note 24 Maturity analysis of financial liabilities

The residual contractual maturities for non-derivative and non-trading financial liabilities as of 31 December 2021 are based on the earliest date on which UBS could be contractually required to pay. The total amounts that contractually mature in each time band are also shown for 31 December 2020. Derivative positions and trading liabilities, predominantly made up of short sale transactions, are assigned to the *Due within 1 month* column, as this provides a conservative reflection of the nature of these trading activities. The residual contractual maturities may extend over significantly longer periods.

**Maturity analysis of financial liabilities**

| | 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| *USD billion* | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Financial liabilities recognized on balance sheet[1] | | | | | | |
| Amounts due to banks | 6.7 | 2.4 | 3.5 | 0.6 | | 13.1 |
| Payables from securities financing transactions | 3.8 | 0.3 | 1.6 | 0.0 | | 5.7 |
| Cash collateral payables on derivative instruments | 31.8 | | | | | 31.8 |
| Customer deposits | 530.1 | 5.2 | 3.3 | 3.2 | 0.4 | 542.3 |
| Debt issued measured at amortized cost[2] | 4.0 | 12.7 | 41.1 | 53.5 | 37.6 | 148.9 |
| Other financial liabilities measured at amortized cost | 4.5 | 0.1 | 0.5 | 1.8 | 1.6 | 8.4 |
| *of which: lease liabilities* | *0.1* | *0.1* | *0.5* | *1.8* | *1.6* | *4.0* |
| Total financial liabilities measured at amortized cost | 580.9 | 20.8 | 49.9 | 59.2 | 39.5 | 750.2 |
| Financial liabilities at fair value held for trading[3,4] | 31.7 | | | | | 31.7 |
| Derivative financial instruments[3,5] | 121.3 | | | | | 121.3 |
| Brokerage payables designated at fair value | 44.0 | | | | | 44.0 |
| Debt issued designated at fair value[6] | 13.8 | 11.5 | 13.5 | 24.5 | 18.5 | 81.9 |
| Other financial liabilities designated at fair value | 28.1 | 0.4 | 0.5 | 0.4 | 1.1 | 30.5 |
| Total financial liabilities measured at fair value through profit or loss | 239.0 | 11.9 | 14.0 | 24.9 | 19.6 | 309.4 |
| Total | 819.8 | 32.7 | 63.9 | 84.1 | 59.1 | 1,059.6 |
| Guarantees, commitments and forward starting transactions | | | | | | |
| Loan commitments[7] | 38.3 | 0.5 | 0.7 | 0.0 | | 39.5 |
| Guarantees | 21.2 | | 0.0 | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements[7] | 1.4 | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | 0.0 | 62.1 |

| | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| *USD billion* | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Financial liabilities recognized on balance sheet[1] | | | | | | |
| Amounts due to banks | 6.1 | 2.4 | 2.1 | 0.5 | 0.0 | 11.1 |
| Payables from securities financing transactions | 5.6 | 0.4 | 0.3 | 0.0 | 0.0 | 6.3 |
| Cash collateral payables on derivative instruments | 37.3 | | | | | 37.3 |
| Customer deposits | 512.8 | 6.6 | 3.5 | 1.8 | 0.2 | 524.9 |
| Debt issued measured at amortized cost[2] | 9.0 | 8.3 | 41.9 | 53.7 | 35.6 | 148.5 |
| Other financial liabilities measured at amortized cost | 4.5 | 0.1 | 0.5 | 2.0 | 1.8 | 8.9 |
| *of which: lease liabilities* | *0.1* | *0.1* | *0.5* | *2.0* | *1.8* | *4.5* |
| Total financial liabilities measured at amortized cost | 575.3 | 17.9 | 48.2 | 58.0 | 37.7 | 737.1 |
| Financial liabilities at fair value held for trading[3,4] | 33.6 | | | | | 33.6 |
| Derivative financial instruments[3,5] | 161.1 | | | | | 161.1 |
| Brokerage payables designated at fair value | 38.7 | | | | | 38.7 |
| Debt issued designated at fair value[6] | 21.9 | 16.8 | 7.1 | 9.2 | 9.5 | 64.5 |
| Other financial liabilities designated at fair value | 27.9 | 0.6 | 0.6 | 0.7 | 1.1 | 30.9 |
| Total financial liabilities measured at fair value through profit or loss | 283.2 | 17.4 | 7.7 | 9.9 | 10.6 | 328.8 |
| Total | 858.5 | 35.3 | 56.0 | 67.9 | 48.3 | 1,065.9 |
| Guarantees, commitments and forward starting transactions | | | | | | |
| Loan commitments[7] | 40.5 | 0.5 | 0.4 | 0.0 | | 41.4 |
| Guarantees | 17.5 | | | | | 17.5 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements[7] | 3.2 | | | | | 3.2 |
| Total | 61.3 | 0.5 | 0.4 | 0.0 | 0.0 | 62.2 |

1 Except for financial liabilities at fair value held for trading and derivative financial instruments (see footnote 3), the amounts presented generally represent undiscounted cash flows of future interest and principal payments. 2 The time-bucket Due after 5 years includes perpetual loss-absorbing additional tier 1 capital instruments. 3 Carrying amount is fair value. Management believes that this best represents the cash flows that would have to be paid if these positions had to be settled or closed out. 4 Contractual maturities of financial liabilities at fair value held for trading are: USD 30.8 billion due within 1 month (31 December 2020: USD 32.6 billion), USD 0.9 billion due between 1 month and 1 year (31 December 2020: USD 1.0 billion) and USD 0 billion due between 1 and 5 years (31 December 2020: USD 0 billion). 5 Includes USD 34 million (31 December 2020: USD 32 million) related to fair values of derivative loan commitments and forward starting reverse repurchase agreements classified as derivatives, presented within "Due within 1 month." The full contractual committed amount of USD 36.0 billion (31 December 2020: USD 31.3 billion) is presented in Note 10 under notional amounts. 6 Future interest payments on variable-rate liabilities are determined by reference to the applicable interest rate prevailing as of the reporting date. Future principal payments that are variable are determined by reference to the conditions existing at the relevant reporting date. 7 Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

## Note 25 Interest rate benchmark reform

### Background

A market-wide reform of major interest rate benchmarks is being undertaken globally, with the Financial Conduct Authority (the FCA) announcing in March 2021 that the publication of London Interbank Offered Rates (LIBORs) would cease after 31 December 2021 for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

The majority of UBS's IBOR exposure was linked to CHF LIBOR and USD LIBOR. The alternative reference rate (the ARR) for CHF LIBOR is the Swiss Average Rate Overnight (SARON). The ARR for USD LIBOR is the Secured Overnight Financing Rate (SOFR); in addition, there are recommended ARRs for GBP LIBOR, JPY LIBOR and EUR LIBOR.

The Euro Interbank Offered Rate (EURIBOR) was reformed in 2019, with the reform consisting of a change in the underlying calculation method. Consequently, contracts linked to EURIBOR are not considered throughout the rest of this Note.

On 25 January 2021, the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, which amend the International Swaps and Derivatives Association (ISDA) standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs, came into effect. From that date, all newly cleared and non-cleared derivatives between adhering parties that reference ISDA standard definitions now include these fallbacks. UBS adhered to the protocol in November 2020.

UBS's focus throughout 2021 was on transitioning existing contracts via bi-lateral and multi-lateral agreements, by leveraging industry solutions (e.g., the use of fallback provisions) and through third-party actions (those by clearing houses, agents, etc.). UBS has established a framework to address the transition of contracts that do not contain adequate fallback provisions. Furthermore, in line with regulatory guidance, UBS has implemented a framework to limit new contracts referencing IBORs.

### Governance over the transition to alternative benchmark rates

UBS established a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. During 2021, progress was overseen centrally via a monthly operating committee and a monthly steering committee, as well as quarterly updates to the joint Audit and Risk Committees. A dedicated Group-wide forum, with an increased US regional focus, will oversee progress of the remaining USD LIBOR transition.

### Risks

A core part of UBS's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARRs, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS's front-to-back processes and systems to accommodate the transition, e.g., data sourcing and processing and bulk migration of contracts; and
- legal and conduct risks relating to UBS's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness – such as liquidity in ARR-equivalent products – and a client's technical readiness to handle ARR market conventions. UBS remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines, given the significant progress made as of 31 December 2021. UBS did not have and does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

## Transition progress

### Non-derivative instruments

UBS's significant non-derivative exposures subject to IBOR reform primarily related to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs. During 2020, UBS transitioned most of its CHF LIBOR-linked deposits to SARON. In that same year, UBS launched SARON-based mortgages and corporate loans based on all major ARRs in the Swiss market, as well as SOFR-based mortgages in the US market.

Throughout 2021, UBS transitioned substantially all of its private and corporate loans linked to non-USD IBORs, with the remaining CHF LIBOR-linked contracts planned to transition on their first roll date in 2022.

In addition, as of 31 December 2021 UBS had completed the transition of IBOR-linked non-derivative financial assets and liabilities related to brokerage accounts, except for balances originated in the US, which transitioned to SOFR in January 2022.

In March 2021, following the FCA announcement regarding the cessation timelines for IBORs, UBS initiated a centralized communication initiative for private mortgages linked to CHF LIBOR, with the objective of transitioning these exposures, either through the activation of existing fallbacks or the amendment of contractual terms where such fallbacks do not exist. During 2021, mortgages that were linked to CHF LIBOR were reduced to USD 21 billion as of 31 December 2021, with these remaining mortgages automatically transitioning to SARON from their next coupon roll date.

The transition of US securities-based lending to SOFR, amounting to USD 37 billion as of 31 December 2021, was for the most part completed in January 2022, with US mortgages linked to USD LIBOR planned to transition to SOFR in 2022–2023.

As of 31 December 2021, UBS had approximately USD 3 billion equivalent of Japanese yen- and US dollar-denominated publicly issued benchmark bonds that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR and USD LIBOR. These bonds have robust IBOR fallback language and the confirmation of interest rate calculation mechanics will be communicated as market standards formalize and in advance of any rate resets. In addition, several US dollar- and Swiss franc-denominated benchmark bonds publicly issued by UBS reference rates indirectly derived from IBORs, if they are not called on their respective call dates. UBS aims to transition those bonds in advance of their reset dates, with the transition of Swiss franc-denominated benchmark bonds completed in January 2022. These debt instruments have not been included in the table on the following page, given their current fixed-rate coupon.

As of 31 December 2021, UBS had approximately USD 5 billion of irrevocable commitments that may be drawn down in different currencies with IBOR-linked interest rates and that expire after the relevant benchmark cessation dates; approximately USD 3 billion of these contracts had transitioned for all IBORs, except USD LIBOR, and USD 2 billion of these commitments retained a non-USD IBOR interest rate as of 31 December 2021 with transition dependent upon the actions of other parties. To the extent non-USD IBOR-linked amounts are requested under these contracts, UBS will seek to renegotiate current terms or rely on legislative solutions.

### Derivative instruments

UBS holds derivatives for trading and hedging purposes, including those designated in hedge accounting relationships. A significant number of interest rate and cross-currency swaps have floating legs that reference various benchmarks that are subject to IBOR reform.

The majority of derivatives are transacted with clearing houses, in particular LCH, with the transition of these non-USD IBOR-linked derivatives substantially completed in December 2021. UBS had also completed the transition of all non-USD IBOR-linked exchange-traded derivatives (ETDs) through participation in activities organized by respective exchanges by 31 December 2021.

For derivatives not transacted with clearing houses or exchanges, UBS and a significant proportion of UBS's counterparties have adhered to the ISDA IBOR Fallbacks Protocol, which builds in agreed fallbacks. The majority of these contracts had transitioned as of 31 December 2021, with a small number of contracts transitioned in January 2022, to ensure an orderly transition when converting high volumes of transactions at the time of cessation.

## Note 25 Interest rate benchmark reform (continued)

### Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS's business divisions where UBS has material exposures subject to IBOR reform that have not yet transitioned to ARRs, and that:

– contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
– have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process.

In line with information provided to management and external parties monitoring UBS's transition progress, the table below includes the following financial metrics for instruments external to the Group that are subject to interest rate benchmark reform:

– gross carrying value / exposure for non-derivative financial instruments; and
– total trade count for derivative financial instruments.

The exposures included in the table below represent the maximum IBOR exposure, without regard for early termination rights, with the actual exposure being dependent upon client preferences and investment decisions.

As of 31 December 2021, UBS had made significant progress in transitioning LIBOR exposures to ARRs. The remaining non-USD LIBOR-linked exposures included in the table below primarily relate to derivatives that successfully transitioned in January 2022 and CHF LIBOR mortgages that will automatically transition to SARON on their first roll date in 2022.

| | | 31.12.21 | | | | |
|---|---|---|---|---|---|---|
| | | LIBOR benchmark rates | | | | |
| | Measure | CHF | USD | GBP | EUR[1] | JPY |
| Carrying value of non-derivative financial instruments | | | | | | |
| Total non-derivative financial assets | USD million | 21,616[2] | 65,234[3] | 45[4] | 1 | 0 |
| Total non-derivative financial liabilities | USD million | 27[4] | 1,985[4] | 3[4] | 5[5] | 0 |
| Trade count of derivative financial instruments | | | | | | |
| Total derivative financial instruments | Trade count | 829[6] | 40,500[7] | 183[6] | 3,744[6] | 184[6] |
| Off-balance sheet exposures | | | | | | |
| Total irrevocable loan commitments | USD million | 0 | 11,863[8] | 0 | 0 | 0 |

1 Relates primarily to EUR LIBOR positions. 2 Relates primarily to CHF LIBOR mortgages, which will automatically transition to SARON on their first roll date in 2022. 3 Includes USD LIBOR securities-based lending and brokerage accounts, amounting to USD 37 billion, and USD 5 billion respectively, which for the most part transitioned to SOFR in January 2022, as well as USD 1 billion of loans related to revolving multi-currency credit lines, where IBOR transition efforts are complete, except for USD LIBOR. The remainder primarily relates to US mortgages and corporate lending. 4 Relates to floating-rate notes that per their contractual terms can reset to rates linked to LIBOR, with transition dependent upon the actions of respective issuers. 5 Relates to contracts that transitioned in January 2022. 6 Includes predominantly bilateral derivatives, which transitioned in January 2022, and an insignificant amount of cleared derivatives, where the respective clearing houses' organized transition happened in January 2022. 7 Includes approximately 5,000 cross-currency derivatives, of which approximately 500 have both a non-USD LIBOR leg and a USD LIBOR leg, where the non-USD leg transitioned in January 2022 before the next fixing date. The remainder represents cross-currency swaps with an ARR leg and a USD IBOR leg. 8 Includes loan commitments that can be drawn in different currencies at the client's discretion, of which approximately USD 3 billion have only USD LIBOR exposure remaining and approximately USD 2 billion retain a non-USD LIBOR interest rate as of 31 December 2021, with transition dependent upon the actions of other parties. The remainder represents loan commitments that can be drawn in US dollars only and will transition in 2022–2023.

## Derivatives designated in hedge accounting relationships

The Group applies hedge accounting to interest rate risk and foreign exchange risk, including structural foreign exchange risk related to net investments in foreign operations.

› **Refer to "Market risk" in the "Risk management and control" section of this report for more information about how risks arise and how they are managed by the Group**

### Hedging instruments and hedged risk

Interest rate swaps are designated in fair value hedges or cash flow hedges of interest rate risk arising solely from changes in benchmark interest rates. Fair value changes arising from such risk are usually the largest component of the overall change in the fair value of the hedged position in transaction currency.

Cross-currency swaps are designated as fair value hedges of foreign exchange risk. Foreign exchange forwards and foreign exchange swaps are mainly designated as hedges of structural foreign exchange risk related to net investments in foreign operations. In both cases the hedged risk arises solely from changes in spot foreign exchange rate.

The notional of the designated hedging instruments matches the notional of the hedged items, except when the interest rate swaps are re-designated in cash flow hedges, in which case the hedge ratio designated is determined based on the swap sensitivity.

### Hedged items and hedge designation

#### *Fair value hedges of interest rate risk related to debt instruments and loan assets*

Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with the debt issued, debt securities held and, from 2021 onward, loan assets (principally long-term fixed-rate mortgage loans in Swiss francs formerly designated within "Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39") to floating cash flows by entering into interest rate swaps that either receive fixed and pay floating cash flows or that pay fixed and receive floating cash flows.

Designations have been made in US dollars, euros, Swiss francs, Australian dollars, Japanese yen and Singapore dollars. For new hedging instruments and hedged risk designations entered into in 2021 in these currencies (with the exception of euro), the benchmark rate was the relevant alternative reference rate (ARR). Following the interbank offered rate (IBOR) transition for swaps with LCH (formerly the London Clearing House) in December 2021, the benchmark hedge rate for Swiss franc and Japanese yen designations was changed from an IBOR rate to the relevant ARR with the hedge relationship continuing in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

#### *Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39*

Prior to December 2021, the Group hedged an open portfolio of long-term fixed-rate mortgage loans in Swiss francs using interest rate swaps that paid a fixed rate of interest and received a floating rate of interest. Both the hedged portfolio and the hedging instruments were adjusted on a monthly basis to reflect changes in size and the maturity profile of the hedged portfolio. Each month the hedge relationship was discontinued and a new one designated. Changes in the portfolio were driven by new loans being originated or loans being repaid.

#### *Cash flow hedges of forecast transactions*

The Group hedges forecast cash flows on non-trading financial assets and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future, due to movements in future market rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of the Group, which is hedged with interest rate swaps, the maximum maturity of which is 10 years. Cash flow forecasts and risk exposures are monitored and adjusted on an ongoing basis, and consequently additional hedging instruments are traded and designated, or are terminated resulting in a hedge discontinuance. Hedge designations have been made in the following currencies: US dollars, euros, Swiss francs, pounds sterling and Hong Kong dollars. The cash flow hedges in US dollars, Swiss francs and pounds sterling were discontinued and replaced with new ARR designations in December 2021.

› **Refer to Note 1b for more information**

#### *Fair value hedges of foreign exchange risk related to issued debt instruments*

Debt instruments denominated in currencies other than the US dollar are designated in fair value hedges of spot foreign exchange risk, in addition to and separate from the fair value hedges of interest rate risk. Cross-currency swaps economically convert debt denominated in currencies other than the US dollar to US dollars. This hedge accounting program started on 1 January 2020, with the adoption of the hedge accounting requirements of IFRS 9, *Financial Instruments,* by UBS.

› **Refer to Note 1b for more information**

#### *Hedges of net investments in foreign operations*

The Group applies hedge accounting for certain net investments in foreign operations, which include subsidiaries, branches and associates. Upon maturity of hedging instruments, typically two months, the hedge relationship is terminated and new designations are made to reflect any changes in the net investments in foreign operations.

## Note 26 Hedge accounting (continued)

### Economic relationship between hedged item and hedging instrument

For hedges designated under IFRS 9, the economic relationship between the hedged item and the hedging instrument is determined based on a qualitative analysis of their critical terms. In cases where hedge designation takes place after origination of the hedging instrument, a quantitative analysis of the possible behavior of the hedging derivative and the hedged item during their respective terms is also performed.

Prior to December 2021, for the fair value hedge of portfolio interest rate risk related to loans designated under IAS 39, hedge effectiveness was assessed by comparing changes in the fair value of the hedged portfolio of loans attributable to changes in the designated benchmark interest rate with the changes in the fair value of the interest rate swaps.

### Sources of hedge ineffectiveness

In hedges of interest rate risk, hedge ineffectiveness can arise from mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, or from entering into a hedge relationship after the trade date of the hedging derivative.

In hedges of foreign exchange risk related to debt issued, hedge ineffectiveness can arise due to the discounting of the hedging instruments and undesignated risk components and lack of such discounting and risk components in the hedged items.

In hedges of net investments in foreign operations, ineffectiveness is unlikely unless the hedged net assets fall below the designated hedged amount. The exceptions are hedges where the hedging currency is not the same as the currency of the foreign operation, where the currency basis may cause ineffectiveness.

Hedge ineffectiveness from financial instruments measured at fair value through profit or loss is recognized in *Other net income.*

### Derivatives not designated in hedge accounting relationships

Non-hedge accounted derivatives are mandatorily held for trading with all fair value movements taken to *Other net income from financial instruments measured at fair value through profit or loss*, even when held as an economic hedge or to facilitate client clearing. The one exception relates to forward points on certain short- and long-duration foreign exchange contracts acting as economic hedges, which are reported in *Net interest income.*

**All hedges: designated hedging instruments and hedge ineffectiveness**

| | As of or for the year ended 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Changes in fair value of hedging instruments[1] | Changes in fair value of hedged items[1] | Hedge ineffectiveness recognized in the income statement |
| Interest rate risk | | | | | | |
| Fair value hedges | 89,525 | 0 | 7 | (1,604) | 1,602 | (2) |
| Cash flow hedges | 79,573 | 12 | 1 | (1,185) | 990 | (196) |
| Foreign exchange risk | | | | | | |
| Fair value hedges[2] | 27,875 | 87 | 261 | (2,139) | 2,181 | 42 |
| Hedges of net investments in foreign operations | 13,939 | 23 | 105 | 497 | (497) | 0 |

| | As of or for the year ended 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Changes in fair value of hedging instruments[1] | Changes in fair value of hedged items[1] | Hedge ineffectiveness recognized in the income statement |
| Interest rate risk | | | | | | |
| Fair value hedges | 80,759 | | 12 | 1,231 | (1,247) | (16) |
| Cash flow hedges | 72,732 | 18 | | 2,213 | (2,012) | 201 |
| Foreign exchange risk | | | | | | |
| Fair value hedges[2] | 21,555 | 449 | 7 | (1,735) | 1,715 | (20) |
| Hedges of net investments in foreign operations | 13,775 | 3 | 194 | (937) | 936 | (2) |

1 Amounts used as the basis for recognizing hedge ineffectiveness for the period. 2 The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the hedge accounting designation and accounted for as a cost of hedging with amounts deferred in Other comprehensive income within Equity.

## Note 26 Hedge accounting (continued)

**Fair value hedges: designated hedged items**

| USD million | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | Interest rate risk | FX risk | Interest rate risk | FX risk |
| Debt issued measured at amortized cost | | | | |
| Carrying amount of designated debt issued | 74,700 | 27,875 | 70,429 | 21,555 |
| *of which: accumulated amount of fair value hedge adjustment* | *478* | | *2,401* | |
| Other financial assets measured at amortized cost – debt securities | | | | |
| Carrying amount of designated debt securities | 2,677 | | 3,242 | |
| *of which: accumulated amount of fair value hedge adjustment* | *(7)* | | *(38)* | |
| Loans and advances to customers[1] | | | | |
| Carrying amount of designated loans | 13,835 | | 10,374 | |
| *of which: accumulated amount of fair value hedge adjustment[2]* | *(109)* | | *100* | |
| *of which: accumulated amount of fair value hedge adjustment subject to amortization attributable to the portion of the portfolio that ceased to be part of hedge accounting[2]* | *3* | | *111* | |

1 Prior to 31 December 2021, these amounts were designated in fair value hedges of portfolio interest rate risk under IAS 39. 2 As of 31 December 2021, the amount was presented within Loans and advances to customers, whereas prior to 1 January 2021 amounts were presented within either Other financial assets measured at amortized cost or Other financial liabilities measured at amortized cost.

**Fair value hedges: profile of the timing of the nominal amount of the hedging instrument**

| | 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| USD billion | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Interest rate swaps | 0 | 8 | 10 | 49 | 22 | 90 |
| Cross-currency swaps | 1 | 1 | 6 | 13 | 6 | 28 |

| | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| USD billion | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Interest rate swaps[1] | 0 | 4 | 9 | 46 | 12 | 70 |
| Cross-currency swaps | 0 | 0 | 4 | 16 | 2 | 22 |

1 In accordance with IFRS 7 requirements, the fair value hedges of portfolio interest rate risk related to loans and advances to customers designated under IAS 39 are not included.

**Cash flow hedge reserve on a pre-tax basis**

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | 26 | 2,560 |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 743 | 296 |
| Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis | 769 | 2,856 |

**Foreign currency translation reserve on a pre-tax basis**

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (45) | (559) |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 262 | 268 |
| Total other comprehensive income recognized directly in equity related to hedging instruments designated as net investment hedges, on a pre-tax basis | 217 | (291) |

**Note 26 Hedge accounting (continued)**

## Interest rate benchmark reform

The Group continues to apply the relief provided by *Interest Rate Benchmark Reform* (amendments to IFRS 9, IAS 39 and IFRS 7), published by the IASB in September 2019.

The interest rate benchmarks subject to interest rate benchmark reforms to which the Group's hedge relationships were exposed were USD LIBOR, CHF LIBOR, GBP LIBOR, AUD LIBOR, JPY LIBOR, HKD LIBOR, SGD LIBOR and EONIA. Interest rate swaps designated in hedge relationships referencing GBP, CHF and JPY LIBOR transitioned to ARRs in December 2021 when LCH transitioned its contracts. For other currencies, IBOR quotations remain available, but all new designations will reference ARR. As such, ARR designations in these currencies will replace IBOR designations as IBOR contracts mature.

The Group's hedge relationships are also exposed to the Euro Inter-bank Offered Rate (EURIBOR), which is expected to continue to exist as a benchmark rate for the foreseeable future. Thus, the Group does not consider its hedges involving the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform.

Apart from EURIBOR hedges, UBS applied the relief to all its fair value hedges of interest rate risk and to those cash flow hedge relationships where the hedged risk is LIBOR or EONIA. The following table provides details on the notional amount and carrying amount of the hedging instruments in those hedge relationships maturing after 31 December 2021, or 30 June 2023 for USD LIBOR hedges, which are the cessation dates of the applicable interest rate benchmarks.

Hedges of net investments in foreign operations are not affected by the amendments.

› **Refer to Note 1a item 2j for more information about the relief provided by the amendments to IFRS 9, IAS 39 and IFRS 7 related to interest rate benchmark reform**

› **Refer to Note 25 Interest rate benchmark reform for more information about the transition progress**

**Hedging instruments referencing LIBOR**

| | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | Carrying amount | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Notional amount | Derivative financial assets | Derivative financial liabilities |
| Interest rate risk | | | | | | |
| Fair value hedges | 23,367 | 0 | 0 | 37,146 | 1 | (12) |
| Cash flow hedges | 10,803 | 0 | 0 | 11,179 | 0 | 0 |

## a) Defined benefit plans

UBS has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are located in Switzerland, the UK, the US and Germany. The level of benefits depends on the specific plan rules.

### Swiss pension plan

The Swiss pension plan covers employees of UBS AG in Switzerland and employees of companies in Switzerland having close economic or financial ties with UBS AG, and exceeds the minimum benefit requirements under Swiss pension law. The Swiss plan offers retirement, disability and survivor benefits and is governed by a Pension Foundation Board. The responsibilities of this board are defined by Swiss pension law and the plan rules.

Savings contributions to the Swiss plan are paid by both employer and employee. Depending on the age of the employee, UBS pays a savings contribution that ranges between 6.5% and 27.5% of contributory base salary and between 2.8% and 9% of contributory variable compensation. UBS also pays risk contributions that are used to fund disability and survivor benefits. Employees can choose the level of savings contributions paid by them, which vary between 2.5% and 13.5% of contributory base salary and between 0% and 9% of contributory variable compensation, depending on age and choice of savings contribution category.

The plan offers to members at the normal retirement age of 65 a choice between a lifetime pension and a partial or full lump sum payment. Participants can choose to draw early retirement benefits starting from the age of 58, but can also continue employment and remain active members of the plan until the age of 70. Employees have the opportunity to make additional purchases of benefits to fund early retirement benefits.

The pension amount payable to a participant is calculated by applying a conversion rate to the accumulated balance of the participant's retirement savings account at the retirement date. The balance is based on credited vested benefits transferred from previous employers, purchases of benefits, and the employee and employer contributions that have been made to the participant's retirement savings account, as well as the interest accrued. The annual interest rate credited to participants is determined by the Pension Foundation Board at the end of each year.

Although the Swiss plan is based on a defined contribution promise under Swiss pension law, it is accounted for as a defined benefit plan under IFRS, primarily because of the obligation to accrue interest on the participants' retirement savings accounts and the payment of lifetime pension benefits.

An actuarial valuation in accordance with Swiss pension law is performed regularly. Should an underfunded situation on this basis occur, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a maximum period of 10 years. If a Swiss plan were to become significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In this situation, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. As of 31 December 2021, the Swiss plan had a technical funding ratio in accordance with Swiss pension law of 134.8% (31 December 2020: 132.6%).

The investment strategy of the Swiss plan complies with Swiss pension law, including the rules and regulations relating to diversification of plan assets, and is derived from the risk budget defined by the Pension Foundation Board on the basis of regularly performed asset and liability management analyses. The Pension Foundation Board strives for a medium- and long-term balance between assets and liabilities.

As of 31 December 2021, the Swiss plan was in a surplus situation on an IFRS measurement basis, as the fair value of the plan's assets exceeded the defined benefit obligation (DBO) by USD 6,577 million (31 December 2020: a surplus of USD 4,862 million). However, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit, which equals the difference between the present value of the estimated future net service cost and the present value of the estimated future employer contributions. As of both 31 December 2021 and 31 December 2020, the estimated future economic benefit was zero and hence no net defined benefit asset was recognized on the balance sheet.

#### *Changes to the Swiss pension plan in 2019*

The Pension Foundation Board and UBS agreed to implement measures that took effect from the start of 2019 to support the long-term financial stability of the Swiss pension fund. The measures, among other things, lowered the conversion rate and increased the normal retirement age from 64 to 65. Pensions already in payment on 1 January 2019 were not affected.

To mitigate the effects for active participants, UBS committed to pay an extraordinary contribution of up to CHF 720 million (USD 790 million at the closing exchange rate on 31 December 2021) in three installments in 2020, 2021 and 2022. Two installments of USD 235 million and USD 254 million paid in 2020 and 2021 reduced OCI with no effect on the income statement.

The third installment, CHF 193 million (USD 212 million at the closing exchange rate on 31 December 2021), will be paid in the first quarter of 2022. The regular employer contributions to be made to the Swiss plan in 2022 are estimated at USD 491 million.

**Note 27 Post-employment benefit plans (continued)**

### UK pension plan

The UK plan is a career-average revalued earnings scheme, and benefits increase automatically based on UK price inflation. The normal retirement age for participants in the UK plan is 60. The plan provides guaranteed lifetime pension benefits to participants upon retirement. The UK plan has been closed to new entrants for more than 20 years and, since 2013, participants are no longer accruing benefits for current or future service. Instead, employees participate in the UK defined contribution plan.

The governance responsibility for the UK plan lies jointly with the Pension Trustee Board and UBS. The employer contributions to the pension fund reflect agreed-upon deficit funding contributions, which are determined on the basis of the most recent actuarial valuation using assumptions agreed by the Pension Trustee Board and UBS. In the event of underfunding, UBS and the Pension Trustee Board must agree on a deficit recovery plan within statutory deadlines. In 2021, UBS made no deficit funding contributions to the UK plan. In 2020, UBS made deficit funding contributions of USD 46 million.

The plan assets are invested in a diversified portfolio of financial assets, which include a longevity swap with an external insurance company. This swap enables the UK pension plan to hedge the risk between expected and actual longevity, which should mitigate volatility in the net defined benefit asset / liability. As of 31 December 2021, the longevity swap had a negative value of USD 3 million (31 December 2020: zero).

In 2019, UBS and the Pension Trustee Board entered into an arrangement whereby a collateral pool was established to provide security for the pension fund. The value of the collateral pool as of 31 December 2021 was USD 337 million (31 December 2020: USD 347 million) and includes corporate bonds, government-related debt instruments and other financial assets. The arrangement provides the Pension Trustee Board dedicated access to a pool of assets in the event of UBS's insolvency or not paying a required deficit funding contribution.

The employer contributions to be made to the UK defined benefit plan in 2022 are estimated at USD 5 million, subject to regular funding reviews during the year.

### US pension plans

There are two distinct major defined benefit plans in the US, with a normal retirement age of 65. Both plans were closed to new entrants more than 20 years ago. Since they closed, new employees have participated in a defined contribution plan.

One of the defined benefit plans is a contribution-based plan in which each participant accrues a percentage of salary in a retirement savings account. The retirement savings account is credited annually with interest based on a rate that is linked to the average yield on one-year US government bonds. For the other defined benefit plan, retirement benefits accrue based on the career-average earnings of each individual plan participant. Former employees with vested benefits have the option to take a lump sum payment or a lifetime annuity.

As required under applicable pension laws, both plans have fiduciaries who, together with UBS, are responsible for the governance of the plans.

The plan assets of both plans are invested in diversified portfolios of financial assets. Each plan's fiduciaries are responsible for the investment decisions with respect to the plan assets.

The employer contributions to be made to the US defined benefit plans in 2022 are estimated at USD 10 million.

### German pension plans

There are two defined benefit plans in Germany, which are both unfunded. The normal retirement age is 65 and benefits are paid directly by UBS. In the larger of the two plans each participant accrues a percentage of salary in a retirement savings account. The accumulated account balance of the participant is credited on an annual basis with guaranteed interest at a rate of 5%. The plan has been closed to new entrants and all participants younger than the age of 55 no longer accrue benefits. In the other plan, amounts are accrued annually based on employee elections related to variable compensation. For this plan, the accumulated account balance is credited on an annual basis with a guaranteed interest rate of 6% for amounts accrued before 2010, of 4% for amounts accrued from 2010 to 2017 and of 0.9% for amounts accrued after 2017. Both plans are subject to German pension law, whereby the responsibility to pay pension benefits when they are due resides entirely with UBS. A portion of the pension payments is directly increased in line with price inflation.

In June 2021, UBS implemented a new funded pension plan with interest credited to participants equal to actual investment returns with a guaranteed minimum of 0%. The plan was implemented retrospectively for new hires since June 2018 and for all eligible active participants younger than 55 from July 2021. Each participant accrues a percentage of salary in a retirement savings account.

The employer contributions to be made to the German defined benefit plans in 2022 are estimated at USD 12 million.

### Financial information by plan

The tables on the following pages provide an analysis of the movement in the net asset / liability recognized on the balance sheet for defined benefit plans, as well as an analysis of amounts recognized in net profit and in *Other comprehensive income*.

## Note 27 Post-employment benefit plans (continued)

**Defined benefit plans**

| *USD million* | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Defined benefit obligation at the beginning of the year | 27,728 | 24,496 | 4,162 | 3,654 | 1,905 | 1,820 | 33,795 | 29,970 |
| Current service cost | 494 | 447 | 0 | 0 | 6 | 6 | 500 | 453 |
| Interest expense | 58 | 72 | 58 | 73 | 30 | 45 | 147 | 190 |
| Plan participant contributions | 266 | 259 | 0 | 0 | 0 | 0 | 266 | 259 |
| Remeasurements | 837 | 1,279 | 71 | 449 | (62) | 105 | 846 | 1,832 |
| *of which: actuarial (gains) / losses due to changes in demographic assumptions* | *51* | *(164)* | *14* | *(14)* | *4* | *(34)* | *69* | *(212)* |
| *of which: actuarial (gains) / losses due to changes in financial assumptions* | *(678)* | *983* | *(3)* | *505* | *(78)* | *134* | *(759)* | *1,621* |
| *of which: experience (gains) / losses[1]* | *1,464* | *460* | *59* | *(42)* | *12* | *5* | *1,535* | *423* |
| Past service cost related to plan amendments | 0 | 0 | 0 | 3 | 4 | 0 | 4 | 3 |
| Curtailments | (80) | 0 | 0 | 0 | 0 | 0 | (80) | 0 |
| Benefit payments | (1,097) | (1,153) | (148) | (148) | (112) | (108) | (1,357) | (1,409) |
| Other movements | 0 | (4) | 0 | 0 | 1 | 0 | 1 | (4) |
| Foreign currency translation | (809) | 2,333 | (38) | 132 | (33) | 37 | (880) | 2,501 |
| Defined benefit obligation at the end of the year | 27,398 | 27,728 | 4,105 | 4,162 | 1,740 | 1,905 | 33,242 | 33,795 |
| *of which: amounts owed to active members* | *14,333* | *13,765* | *150* | *159* | *222* | *245* | *14,705* | *14,169* |
| *of which: amounts owed to deferred members* | *0* | *0* | *1,593* | *1,879* | *669* | *743* | *2,262* | *2,622* |
| *of which: amounts owed to retirees* | *13,065* | *13,963* | *2,362* | *2,124* | *849* | *917* | *16,276* | *17,004* |
| *of which: funded plans* | *27,398* | *27,728* | *4,105* | *4,162* | *1,222* | *1,319* | *32,724* | *33,209* |
| *of which: unfunded plans* | *0* | *0* | *0* | *0* | *518* | *586* | *518* | *586* |
| Fair value of plan assets at the beginning of the year | 32,590 | 28,219 | 4,149 | 3,658 | 1,360 | 1,299 | 38,100 | 33,176 |
| Return on plan assets excluding interest income | 2,322 | 1,818 | 277 | 388 | 40 | 118 | 2,639 | 2,324 |
| Interest income | 74 | 84 | 58 | 73 | 26 | 38 | 159 | 196 |
| Employer contributions | 763 | 729 | 0 | 46 | 16 | 17 | 779 | 792 |
| Plan participant contributions | 266 | 259 | 0 | 0 | 0 | 0 | 266 | 259 |
| Benefit payments | (1,097) | (1,153) | (148) | (148) | (112) | (108) | (1,357) | (1,409) |
| Administration expenses, taxes and premiums paid | (13) | (13) | 0 | 0 | (4) | (4) | (17) | (17) |
| Other movements | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Foreign currency translation | (930) | 2,647 | (39) | 132 | 0 | 0 | (969) | 2,779 |
| Fair value of plan assets at the end of the year | 33,975 | 32,590 | 4,297 | 4,149 | 1,329 | 1,360 | 39,601 | 38,100 |
| Surplus / (deficit) | 6,577 | 4,862 | 192 | (13) | (411) | (545) | 6,358 | 4,304 |
| Asset ceiling effect at the beginning of the year | 4,862 | 3,724 | 0 | 0 | 0 | 0 | 4,862 | 3,724 |
| Interest expense on asset ceiling effect | 15 | 12 | 0 | 0 | 0 | 0 | 15 | 12 |
| Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect | 1,821 | 814 | 0 | 0 | 0 | 0 | 1,821 | 814 |
| Foreign currency translation | (121) | 313 | 0 | 0 | 0 | 0 | (121) | 313 |
| Asset ceiling effect at the end of the year | 6,577 | 4,862 | 0 | 0 | 0 | 0 | 6,577 | 4,862 |
| Net defined benefit asset / (liability) of major plans | 0 | 0 | 192 | (13) | (411) | (545) | (219) | (558) |
| Net defined benefit asset / (liability) of remaining plans | | | | | | | (112) | (123) |
| Total net defined benefit asset / (liability) | | | | | | | (331) | (680) |
| *of which: Net defined benefit asset* | | | | | | | *302* | *42* |
| *of which: Net defined benefit liability[2]* | | | | | | | *(633)* | *(722)* |

1 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 2 Refer to Note 19c.

## Note 27 Post-employment benefit plans (continued)

Income statement – expenses related to defined benefit plans[1]

| USD million | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| For the year ended | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Current service cost | 494 | 447 | 0 | 0 | 6 | 6 | 500 | 453 |
| Interest expense related to defined benefit obligation | 58 | 72 | 58 | 73 | 30 | 45 | 147 | 190 |
| Interest income related to plan assets | (74) | (84) | (58) | (73) | (26) | (38) | (159) | (196) |
| Interest expense on asset ceiling effect | 15 | 12 | 0 | 0 | 0 | 0 | 15 | 12 |
| Administration expenses, taxes and premiums paid | 13 | 13 | 0 | 0 | 4 | 4 | 17 | 17 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 3 | 4 | 0 | 4 | 3 |
| Curtailments | (80) | 0 | 0 | 0 | 0 | 0 | (80) | 0 |
| Net periodic expenses recognized in net profit for major plans | 426 | 459 | 0 | 3 | 18 | 18 | 444 | 479 |
| Net periodic expenses recognized in net profit for remaining plans[2] | | | | | | | 25 | 23 |
| Total net periodic expenses recognized in net profit | | | | | | | 470 | 502 |

1 Refer to Note 6. 2 Includes differences between actual and estimated performance award accruals.

Other comprehensive income – gains / (losses) on defined benefit plans

| USD million | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| For the year ended | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Remeasurement of defined benefit obligation | (837) | (1,279) | (71) | (449) | 62 | (105) | (846) | (1,832) |
| *of which: change in discount rate assumption* | *870* | *(777)* | *319* | *(504)* | *77* | *(141)* | *1,267* | *(1,421)* |
| *of which: change in rate of salary increase assumption* | *(3)* | *(230)* | *0* | *0* | *0* | *0* | *(3)* | *(230)* |
| *of which: change in rate of pension increase assumption* | *0* | *0* | *(316)* | *(1)* | *(1)* | *1* | *(318)* | *0* |
| *of which: change in rate of interest credit on retirement savings assumption* | *(193)* | *26* | *0* | *0* | *(1)* | *24* | *(194)* | *50* |
| *of which: change in life expectancy* | *0* | *261* | *9* | *22* | *(3)* | *50* | *5* | *333* |
| *of which: change in other actuarial assumptions* | *(47)* | *(99)* | *(23)* | *(8)* | *2* | *(34)* | *(68)* | *(142)* |
| *of which: experience gains / (losses)[1]* | *(1,464)* | *(460)* | *(59)* | *42* | *(12)* | *(5)* | *(1,535)* | *(423)* |
| Return on plan assets excluding interest income | 2,322 | 1,818 | 277 | 388 | 40 | 118 | 2,639 | 2,324 |
| Asset ceiling effect excluding interest expense and foreign currency translation | (1,821) | (814) | 0 | 0 | 0 | 0 | (1,821) | (814) |
| Total gains / (losses) recognized in other comprehensive income for major plans | (336) | (276) | 207 | (61) | 103 | 14 | (27) | (323) |
| Total gains / (losses) recognized in other comprehensive income for remaining plans | | | | | | | 30 | (4) |
| Total gains / (losses) recognized in other comprehensive income[2] | | | | | | | 2 | (327) |

1 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 2 Refer to the "Statement of comprehensive income."

The table below provides information about the duration of the DBO and the timing for expected benefit payments.

| | Swiss pension plan | | UK pension plan | | US and German pension plans[1] | |
|---|---|---|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Duration of the defined benefit obligation (in years) | 15.1 | 15.7 | 18.8 | 19.0 | 9.5 | 10.2 |
| Maturity analysis of benefits expected to be paid | | | | | | |
| *USD million* | | | | | | |
| Benefits expected to be paid within 12 months | 1,312 | 1,293 | 110 | 114 | 123 | 122 |
| Benefits expected to be paid between 1 and 3 years | 2,636 | 2,630 | 248 | 232 | 237 | 235 |
| Benefits expected to be paid between 3 and 6 years | 3,824 | 3,839 | 418 | 406 | 338 | 346 |
| Benefits expected to be paid between 6 and 11 years | 6,220 | 6,166 | 743 | 744 | 495 | 532 |
| Benefits expected to be paid between 11 and 16 years | 5,572 | 5,646 | 751 | 758 | 392 | 413 |
| Benefits expected to be paid in more than 16 years | 18,092 | 18,884 | 3,028 | 3,206 | 519 | 541 |

1 The duration of the defined benefit obligation represents a weighted average across US and German plans.

## Actuarial assumptions

The actuarial assumptions used for the defined benefit plans are based on the economic conditions prevailing in the jurisdiction in which they are offered. Changes in the defined benefit obligation are most sensitive to changes in the discount rate. The discount rate is based on the yield of high-quality corporate bonds quoted in an active market in the currency of the respective plan. A decrease in the discount curve increases the DBO. UBS regularly reviews the actuarial assumptions used in calculating the DBO to determine their continuing relevance.

› **Refer to Note 1a item 5 for a description of the accounting policy for defined benefit plans**

The tables below show the significant actuarial assumptions used in calculating the DBO at the end of the year.

**Significant actuarial assumptions**

| | Swiss pension plan | | UK pension plan | | US and German pension plans[1] | |
|---|---|---|---|---|---|---|
| *In %* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Discount rate | 0.34 | 0.10 | 1.82 | 1.42 | 2.10 | 1.62 |
| Rate of salary increase | 2.01 | 2.00 | 0.00 | 0.00 | 2.35 | 2.25 |
| Rate of pension increase | 0.00 | 0.00 | 3.32 | 2.89 | 1.80 | 1.70 |
| Rate of interest credit on retirement savings | 1.04 | 0.60 | 0.00 | 0.00 | 1.18 | 1.12 |

1 Represents weighted average assumptions across US and German plans.

**Mortality tables and life expectancies for major plans**

| | | Life expectancy at age 65 for a male member currently | | | |
|---|---|---|---|---|---|
| | | aged 65 | | aged 45 | |
| Country | Mortality table | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Switzerland | BVG 2020 G with CMI 2019 projections | 21.7 | 21.7 | 23.3 | 23.2 |
| UK | S3PA with CMI 2020 projections[1] | 23.4 | 23.4 | 24.5 | 24.6 |
| USA | Pri-2012 with MP-2021 projection scale[2] | 21.9 | 21.8 | 23.3 | 23.2 |
| Germany | Dr. K. Heubeck 2018 G | 20.5 | 20.8 | 23.2 | 23.6 |

| | | Life expectancy at age 65 for a female member currently | | | |
|---|---|---|---|---|---|
| | | aged 65 | | aged 45 | |
| Country | Mortality table | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Switzerland | BVG 2020 G with CMI 2019 projections | 23.4 | 23.4 | 25.0 | 24.9 |
| UK | S3PA with CMI 2020 projections[1] | 24.9 | 24.9 | 26.3 | 26.3 |
| USA | Pri-2012 with MP-2021 projection scale[2] | 23.3 | 23.2 | 24.7 | 24.5 |
| Germany | Dr. K. Heubeck 2018 G | 23.9 | 24.3 | 26.1 | 26.5 |

1 In 2020, S3PA with CMI 2019 projections was used. 2 In 2020, Pri-2012 with MP-2020 projection scale was used.

## Note 27 Post-employment benefit plans (continued)

### Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption, showing how the DBO would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. Caution should be used in extrapolating the sensitivities below on the DBO, as the sensitivities may not be linear.

**Sensitivity analysis of significant actuarial assumptions[1]**

| Increase / (decrease) in defined benefit obligation | Swiss pension plan | | UK pension plan | | US and German pension plans | |
|---|---|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Discount rate | | | | | | |
| Increase by 50 basis points | (1,695) | (1,793) | (361) | (370) | (78) | (91) |
| Decrease by 50 basis points | 1,933 | 2,048 | 411 | 423 | 84 | 99 |
| Rate of salary increase | | | | | | |
| Increase by 50 basis points | 109 | 117 | –[2] | –[2] | 0 | 1 |
| Decrease by 50 basis points | (104) | (111) | –[2] | –[2] | 0 | (1) |
| Rate of pension increase | | | | | | |
| Increase by 50 basis points | 1,333 | 1,413 | 334 | 358 | 6 | 8 |
| Decrease by 50 basis points | –[3] | –[3] | (306) | (316) | (6) | (7) |
| Rate of interest credit on retirement savings | | | | | | |
| Increase by 50 basis points | 224 | 236 | –[4] | –[4] | 8 | 9 |
| Decrease by 50 basis points | (224)[5] | (188) | –[4] | –[4] | (7) | (8) |
| Life expectancy | | | | | | |
| Increase in longevity by one additional year | 915 | 1,061 | 184 | 182 | 56 | 60 |

1 The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. 2 As the plan is closed for future service, a change in assumption is not applicable. 3 As the assumed rate of pension increase was 0% as of 31 December 2021 and as of 31 December 2020, a downward change in assumption is not applicable. 4 As the UK plan does not provide interest credits on retirement savings, a change in assumption is not applicable. 5 As of 31 December 2021, 19% of retirement savings were subject to a legal minimum rate of 1.00%.

## Note 27 Post-employment benefit plans (continued)

### Fair value of plan assets

The tables below provide information about the composition and fair value of plan assets of the Swiss, UK, US and German pension plans.

**Composition and fair value of plan assets**

**Swiss pension plan**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 187 | 0 | 187 | 1 | 219 | 0 | 219 | 1 |
| Real estate / property | | | | | | | | |
| Domestic | 0 | 3,530 | 3,530 | 10 | 0 | 3,582 | 3,582 | 11 |
| Foreign | 0 | 580 | 580 | 2 | 0 | 331 | 331 | 1 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 843 | 0 | 843 | 2 | 826 | 0 | 826 | 3 |
| Foreign | 6,213 | 2,652 | 8,865 | 26 | 6,284 | 1,958 | 8,242 | 25 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 4,446 | 0 | 4,446 | 13 | 3,721 | 0 | 3,721 | 11 |
| Foreign, AAA to BBB– | 5,093 | 0 | 5,093 | 15 | 6,146 | 0 | 6,146 | 19 |
| Foreign, below BBB– | 1,314 | 0 | 1,314 | 4 | 1,303 | 0 | 1,303 | 4 |
| Other | 4,211 | 3,558 | 7,769 | 23 | 3,363 | 3,722 | 7,085 | 22 |
| Other investments | 668 | 682 | 1,349 | 4 | 663 | 473 | 1,136 | 3 |
| Total fair value of plan assets | 22,973 | 11,002 | 33,975 | 100 | 22,525 | 10,065 | 32,590 | 100 |

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Total fair value of plan assets | 33,975 | 32,590 |
| *of which:*[2] | | |
| *Bank accounts at UBS* | *194* | *231* |
| *UBS debt instruments* | *28* | *34* |
| *UBS shares* | *25* | *24* |
| *Securities lent to UBS*[3] | *1,079* | *1,416* |
| *Property occupied by UBS* | *93* | *96* |
| *Derivative financial instruments, counterparty UBS*[3] | *128* | *149* |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. 2 Bank accounts at UBS encompass accounts in the name of the Swiss pension fund. The other positions disclosed in the table encompass both direct investments in UBS instruments and indirect investments, i.e., those made through funds that the pension fund invests in. 3 Securities lent to UBS and derivative financial instruments are presented gross of any collateral. Securities lent to UBS were fully covered by collateral as of 31 December 2021 and 31 December 2020. Net of collateral, derivative financial instruments amounted to USD 43 million as of 31 December 2021 (31 December 2020: negative USD 17 million).

## Note 27 Post-employment benefit plans (continued)

### Composition and fair value of plan assets (continued)

#### UK pension plan

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 147 | 0 | 147 | 3 | 195 | 0 | 195 | 5 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 2,605 | 0 | 2,605 | 61 | 2,150 | 0 | 2,150 | 52 |
| Foreign, AAA to BBB– | 372 | 0 | 372 | 9 | 53 | 0 | 53 | 1 |
| Foreign, below BBB– | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 44 | 4 | 47 | 1 | 34 | 3 | 37 | 1 |
| Foreign | 921 | 0 | 921 | 21 | 1,077 | 0 | 1,077 | 26 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 532 | 147 | 679 | 16 | 919 | 131 | 1,050 | 25 |
| Domestic, below BBB– | 12 | 0 | 12 | 0 | 47 | 0 | 47 | 1 |
| Foreign, AAA to BBB– | 179 | 0 | 179 | 4 | 149 | 0 | 149 | 4 |
| Foreign, below BBB– | 115 | 0 | 115 | 3 | 110 | 0 | 110 | 3 |
| Real estate | | | | | | | | |
| Domestic | 110 | 12 | 122 | 3 | 98 | 16 | 114 | 3 |
| Foreign | 6 | 34 | 40 | 1 | 0 | 37 | 37 | 1 |
| Other | (313) | 0 | (313) | (7) | (86) | 0 | (86) | (2) |
| Insurance contracts | 0 | 8 | 8 | 0 | 0 | 8 | 8 | 0 |
| Derivatives | 57 | (3) | 54 | 1 | (3) | 0 | (3) | 0 |
| Asset-backed securities | 0 | 11 | 11 | 0 | 0 | 6 | 6 | 0 |
| Other investments[2] | (717) | 10 | (707) | (16) | (803) | 9 | (794) | (19) |
| Total fair value of plan assets | 4,074 | 223 | 4,297 | 100 | 3,940 | 209 | 4,149 | 100 |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. 2 Mainly relates to repurchase arrangements on UK treasury bonds.

## Note 27 Post-employment benefit plans (continued)

### US and German pension plans

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 11 | 0 | 11 | 1 | 38 | 0 | 38 | 3 |
| Equity | | | | | | | | |
| Domestic | 79 | 0 | 79 | 6 | 0 | 0 | 0 | 0 |
| Foreign | 31 | 0 | 31 | 2 | 0 | 0 | 0 | 0 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 486 | 0 | 486 | 37 | 490 | 0 | 490 | 36 |
| Domestic, below BBB– | 17 | 0 | 17 | 1 | 7 | 0 | 7 | 0 |
| Foreign, AAA to BBB– | 97 | 0 | 97 | 7 | 99 | 0 | 99 | 7 |
| Foreign, below BBB– | 6 | 0 | 6 | 0 | 1 | 0 | 1 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 3 | 0 | 3 | 0 | 210 | 0 | 210 | 15 |
| Foreign | 56 | 0 | 56 | 4 | 169 | 0 | 169 | 12 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 269 | 0 | 269 | 20 | 195 | 0 | 195 | 14 |
| Domestic, below BBB– | 147 | 0 | 147 | 11 | 34 | 0 | 34 | 2 |
| Foreign, AAA to BBB– | 11 | 0 | 11 | 1 | 19 | 0 | 19 | 1 |
| Foreign, below BBB– | 2 | 0 | 2 | 0 | 3 | 0 | 3 | 0 |
| Real estate | | | | | | | | |
| Domestic | 0 | 9 | 9 | 1 | 0 | 14 | 14 | 1 |
| Other | 99 | 0 | 99 | 7 | 79 | 0 | 79 | 6 |
| Insurance contracts | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 |
| Other investments | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Total fair value of plan assets | 1,319 | 10 | 1,329 | 100 | 1,345 | 15 | 1,360 | 100 |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

## Note 27 Post-employment benefit plans (continued)

### b) Defined contribution plans

UBS sponsors a number of defined contribution plans, with the most significant plans in the US and the UK. UBS's obligation is limited to its contributions made in accordance with each plan, which may include direct contributions and matching contributions. Employer contributions to defined contribution plans are recognized as an expense.

**Expenses related to defined contribution plans**

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| US plan | 198 | 190 | 173 |
| UK plan | 101 | 88 | 82 |
| Remaining plans | 64 | 65 | 71 |
| Total[1] | 363 | 343 | 326 |

1 Refer to Note 6.

### c) Related-party disclosure

UBS is the principal provider of banking services for the pension fund of UBS in Switzerland. In this capacity, UBS is engaged to execute most of the pension fund's banking activities. These activities can include, but are not limited to, trading, securities lending and borrowing and derivative transactions. The non-Swiss UBS pension funds do not have a similar banking relationship with UBS.

Also, UBS leases certain properties that are owned by the Swiss pension fund. As of 31 December 2021, the minimum commitment toward the Swiss pension fund under the related leases was approximately USD 9 million (31 December 2020: USD 11 million).

› **Refer to the "Composition and fair value of plan assets" table in Note 27a for more information about fair value of investments in UBS instruments held by the Swiss pension fund**

The following amounts have been received or paid by UBS from and to the post-employment benefit plans located in Switzerland, the UK, the US and Germany in respect of these banking activities and arrangements.

**Related-party disclosure**

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Received by UBS | | | |
| Fees | 39 | 34 | 34 |
| Paid by UBS | | | |
| Rent | 4 | 5 | 4 |
| Dividends, capital repayments and interest | 5 | 10 | 11 |

The transaction volumes in UBS shares and UBS debt instruments and the balances of UBS shares held were:

**Transaction volumes – UBS shares and UBS debt instruments**

| | For the year ended | |
|---|---|---|
| | 31.12.21 | 31.12.20 |
| Financial instruments bought by pension funds | | |
| UBS shares (in thousands of shares) | 907 | 1,758 |
| UBS debt instruments (par values, USD million) | 37 | 28 |
| Financial instruments sold by pension funds or matured | | |
| UBS shares (in thousands of shares) | 1,688 | 2,605 |
| UBS debt instruments (par values, USD million) | 40 | 6 |

**UBS shares held by post-employment benefit plans**

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Number of shares (in thousands of shares) | 14,073 | 14,854 |
| Fair value (USD million) | 252 | 210 |

## a) Plans offered

The Group has several share-based and other deferred compensation plans that align the interests of Group Executive Board (GEB) members and other employees with the interests of investors.

Share-based awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash. Awards are settled by delivering UBS shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees.

The most significant deferred compensation plans are described below.

› **Refer to Note 1a item 5 for a description of the accounting policy related to share-based and other deferred compensation plans**

### Mandatory deferred compensation plans

#### The Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a mandatory deferred share-based compensation plan for senior leaders of the Group (i.e., GEB members and selected senior management).

The number of notional shares delivered at vesting depends on two equally weighted performance metrics over a three-year performance period: reported return on common equity tier 1 capital and relative total shareholder return, which measures the performance of UBS against an index of Global Systemically Important Banks as determined by the Financial Stability Board.

The final number of shares will vest in three equal installments in each of the three years following the performance period for GEB members, and cliff vest in the first year following the performance period for selected senior management.

#### The Equity Ownership Plan

The Equity Ownership Plan (EOP) is a deferred share-based compensation plan for employees who are subject to deferral requirements but do not receive LTIP awards. Vesting under the EOP generally occurs in equal installments two and three years after grant, subject to continued employment and, in certain cases, achievement of defined performance conditions.

Asset Management employees receive some or all of their EOP in the form of cash-settled notional investment funds. The amount delivered depends on the value of the underlying investment funds at the time of vesting.

#### The Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a deferred compensation plan for all employees who are subject to deferral requirements. Such employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled as a cash payment or a perpetual, marketable AT1 capital instrument. DCCP awards generally vest in full after five years, unless the award is written down following the occurrence of a viability event (as defined under the terms of an AT1 instrument) or if the Group's CET1 capital ratio falls below a defined threshold. Additional performance conditions apply to GEB members.

Interest payments on DCCP awards are paid at the discretion of UBS. Where interest payments are not permitted, such as for certain regulated employees, the DCCP award reflects the fair value of the granted non-interest-bearing award.

### Financial advisor variable compensation

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management predominantly includes production payout and deferred compensation awards. Production payout is primarily based on compensable revenue. Financial advisors may also qualify for deferred compensation awards, which generally vest over a six-year period. These awards are based on strategic performance measures, including production and length of service with UBS. Production payout rates and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisor compensation also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

### Share delivery obligations

Share delivery obligations related to employee share-based compensation awards were 175 million shares as of 31 December 2021 (31 December 2020: 172 million shares). Share delivery obligations are calculated on the basis of undistributed notional share awards, taking applicable performance conditions into account.

As of 31 December 2021, UBS held 149 million treasury shares (31 December 2020: 157 million) that were available to satisfy share delivery obligations.

## Note 28 Employee benefits: variable compensation (continued)

### b) Effect on the income statement

#### Effect on the income statement for the financial year and future periods

The table below provides information about compensation expenses related to total variable compensation, including financial advisor variable compensation, that were recognized in the financial year ended 31 December 2021, as well as expenses that were deferred and will be recognized in the income statement for 2022 and later.

The majority of expenses deferred to 2022 and later that are related to the 2021 performance year pertain to awards granted in February 2022. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2021 will be recognized in future periods over a weighted average period of 2.5 years.

**Variable compensation including financial advisor variable compensation**

| | Expenses recognized in 2021 | | | Expenses deferred to 2022 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2021 performance year | Related to prior performance years | Total | Related to the 2021 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,383 | (10) | 2,373 | 0 | 0 | 0 |
| Deferred compensation awards | 405 | 412 | 817 | 797 | 624 | 1,421 |
| *of which: Equity Ownership Plan* | *183* | *180* | *363* | *393* | *184* | *577* |
| *of which: Deferred Contingent Capital Plan* | *140* | *158* | *297* | *299* | *329* | *628* |
| *of which: Long-Term Incentive Plan* | *54* | *19* | *73* | *50* | *33* | *83* |
| *of which: Asset Management EOP* | *29* | *56* | *84* | *56* | *78* | *133* |
| Variable compensation – performance awards | 2,788 | 402 | 3,190 | 797 | 624 | 1,421 |
| Variable compensation – other[2] | 191 | 38 | 229 | 215 | 182 | 397 |
| Total variable compensation excluding financial advisor variable compensation | 2,979 | 440 | 3,419 | 1,012 | 806 | 1,818 |
| Financial advisor variable compensation | 4,134 | 248 | 4,382 | 434 | 641 | 1,075 |
| *of which: non-deferred cash* | *3,858* | *(6)* | *3,853* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *106* | *51* | *157* | *123* | *146* | *269* |
| *of which: deferred cash-based awards* | *170* | *202* | *372* | *311* | *495* | *806* |
| Compensation commitments with recruited financial advisors[3] | 41 | 438 | 479 | 662 | 1,682 | 2,344 |
| Total FA variable compensation | 4,175 | 685 | 4,860 | 1,097 | 2,323 | 3,419 |
| Total variable compensation including FA variable compensation | 7,155 | 1,125 | 8,280[4] | 2,109 | 3,129 | 5,238 |

1 Estimate as of 31 December 2021. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2021 performance year" columns represent commitments entered into in 2021. 4 Includes USD 651 million in expenses related to share-based compensation (performance awards: USD 435 million; other variable compensation: USD 59 million; financial advisor compensation: USD 157 million). A further USD 85 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 5 million related to role-based allowances; social security: USD 64 million; other personnel expenses: USD 16 million related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 641 million.

## Note 28 Employee benefits: variable compensation (continued)

**Variable compensation including financial advisor variable compensation (continued)**

| | Expenses recognized in 2020 | | | Expenses deferred to 2021 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2020 performance year | Related to prior performance years | Total | Related to the 2020 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,167 | (26) | 2,141 | 0 | 0 | 0 |
| Deferred compensation awards | 341 | 727 | 1,068 | 756 | 288 | 1,044 |
| *of which: Equity Ownership Plan* | *137* | *327* | *463* | *306* | *69* | *376* |
| *of which: Deferred Contingent Capital Plan* | *112* | *351* | *463* | *280* | *196* | *476* |
| *of which: Long-Term Incentive Plan* | *42* | *11* | *54* | *50* | *10* | *61* |
| *of which: Asset Management EOP* | *49* | *39* | *88* | *120* | *12* | *132* |
| Variable compensation – performance awards | 2,508 | 701 | 3,209 | 756 | 288 | 1,044 |
| Variable compensation – other[2] | 126 | 94 | 220 | 181 | 192 | 374 |
| Total variable compensation excluding financial advisor variable compensation | 2,634 | 795 | 3,429 | 938 | 480 | 1,418 |
| Financial advisor variable compensation | 3,356 | 233 | 3,589 | 350 | 602 | 952 |
| *of which: non-deferred cash* | *3,154* | *0* | *3,154* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *69* | *50* | *119* | *79* | *135* | *214* |
| *of which: deferred cash-based awards* | *133* | *183* | *316* | *271* | *467* | *738* |
| Compensation commitments with recruited financial advisors[3] | 22 | 480 | 502 | 473 | 1,682 | 2,155 |
| Total FA variable compensation | 3,378 | 713 | 4,091 | 822 | 2,284 | 3,106 |
| Total variable compensation including FA variable compensation | 6,012 | 1,508 | 7,520[4] | 1,760 | 2,764 | 4,524 |

1 Estimate as of 31 December 2020. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2020 performance year" columns represent commitments entered into in 2020. 4 Includes USD 686 million in expenses related to share-based compensation (performance awards: USD 517 million; other variable compensation: USD 50 million; financial advisor compensation: USD 119 million). A further USD 100 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4 million related to role-based allowances; social security: USD 54 million; other personnel expenses: USD 42 million related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 691 million.

**Variable compensation including financial advisor variable compensation (continued)**

| | Expenses recognized in 2019 | | | Expenses deferred to 2020 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2019 performance year | Related to prior performance years | Total | Related to the 2019 performance year | Related to prior performance years | Total |
| Non-deferred cash | 1,894 | (26) | 1,868 | 0 | 0 | 0 |
| Deferred compensation awards | 299 | 588 | 887 | 429 | 608 | 1,036 |
| *of which: Equity Ownership Plan* | *122* | *300* | *422* | *205* | *219* | *424* |
| *of which: Deferred Contingent Capital Plan* | *113* | *262* | *375* | *173* | *365* | *538* |
| *of which: Long-Term Incentive Plan* | *39* | *0* | *39* | *25* | *0* | *25* |
| *of which: Asset Management EOP* | *25* | *26* | *51* | *26* | *23* | *49* |
| Variable compensation – performance awards | 2,193 | 562 | 2,755 | 429 | 608 | 1,036 |
| Variable compensation – other[2] | 159 | 88 | 246 | 117 | 232 | 349 |
| Total variable compensation excluding financial advisor variable compensation | 2,352 | 650 | 3,001 | 545 | 840 | 1,385 |
| Financial advisor variable compensation | 3,233 | 268 | 3,501 | 197 | 710 | 907 |
| *of which: non-deferred cash* | *3,064* | *0* | *3,064* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *57* | *48* | *106* | *54* | *130* | *183* |
| *of which: deferred cash-based awards* | *112* | *219* | *331* | *144* | *580* | *724* |
| Compensation commitments with recruited financial advisors[3] | 32 | 510 | 542 | 350 | 1,617 | 1,967 |
| Total FA variable compensation | 3,265 | 778 | 4,043 | 548 | 2,327 | 2,874 |
| Total variable compensation including FA variable compensation | 5,617 | 1,428 | 7,045[4] | 1,093 | 3,166 | 4,259 |

1 Estimate as of 31 December 2019. Actual amounts expensed may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2019 performance year" columns represent commitments entered into in 2019. 4 Includes USD 610 million in expenses related to share-based compensation (performance awards: USD 461 million; other variable compensation: USD 43 million; financial advisor compensation: USD 106 million). A further USD 61 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 10 million related to role-based allowances; social security: USD 25 million; other personnel expenses: USD 27 million related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 619 million.

**Note 28 Employee benefits: variable compensation (continued)**

## c) Outstanding share-based compensation awards

### Share and performance share awards

Movements in outstanding share-based awards during 2021 and 2020 are provided in the table below.

**Movements in outstanding share-based compensation awards**

| | Number of shares 2021 | Weighted average grant date fair value (USD) | Number of shares 2020 | Weighted average grant date fair value (USD) |
|---|---|---|---|---|
| Outstanding, at the beginning of the year | 174,900,395 | 12 | 156,064,763 | 14 |
| Awarded during the year | 68,721,549 | 15 | 72,250,157 | 11 |
| Distributed during the year | (52,137,287) | 13 | (46,899,362) | 15 |
| Forfeited during the year | (10,906,096) | 13 | (6,515,164) | 13 |
| Outstanding, at the end of the year | 180,578,561 | 13 | 174,900,395 | 12 |
| *of which: shares vested for accounting purposes* | *107,828,979* | | *118,260,527* | |

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2021 and 31 December 2020 was USD 37 million and USD 36 million, respectively.

## d) Valuation

### UBS share awards

UBS measures compensation expense based on the average market price of UBS shares on the grant date as quoted on the SIX Swiss Exchange, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable. The fair value of the share awards subject to post-vesting sale and hedge restrictions is discounted on the basis of the duration of the post-vesting restriction and is referenced to the cost of purchasing an at-the-money European put option for the term of the transfer restriction. The grant date fair value of notional shares without dividend entitlements also includes a deduction for the present value of future expected dividends to be paid between the grant date and distribution.

## Note 29 Interests in subsidiaries and other entities

### a) Interests in subsidiaries

UBS defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to the Group's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to the Group's total assets and profit or loss before tax, in accordance with the requirements set by IFRS 12, Swiss regulations and the rules of the US Securities and Exchange Commission (the SEC).

#### Individually significant subsidiaries

The two tables below list the Group's individually significant subsidiaries as of 31 December 2021. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by the Group, and the proportion of ownership interest held is equal to the voting rights held by the Group.

The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global branch network and a significant proportion of its business activity is conducted outside Switzerland, including in the UK, the US, Singapore, Hong Kong SAR and other countries. UBS Europe SE has branches and offices in a number of EU Member States, including Germany, Italy, Luxembourg and Spain. Share capital is provided in the currency of the legally registered office.

**Individually significant subsidiaries of UBS Group AG as of 31 December 2021**

| Company | Registered office | Share capital in million | | Equity interest accumulated in % |
|---|---|---|---|---|
| UBS AG | Zurich and Basel, Switzerland | CHF | 385.8 | 100.0 |
| UBS Business Solutions AG[1] | Zurich, Switzerland | CHF | 1.0 | 100.0 |

1 UBS Business Solutions AG holds subsidiaries in China, India, Israel and Poland.

**Individually significant subsidiaries of UBS AG as of 31 December 2021[1]**

| Company | Registered office | Primary business | Share capital in million | | Equity interest accumulated in % |
|---|---|---|---|---|---|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Group Functions | USD | 4,150.0[2] | 100.0 |
| UBS Americas Inc. | Wilmington, Delaware, USA | Group Functions | USD | 0.0 | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF | 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR | 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD | 1,283.1[3] | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF | 10.0 | 100.0 |

1 Includes direct and indirect subsidiaries of UBS AG. 2 Consists of common share capital of USD 1,000 and non-voting preferred share capital of USD 4,150,000,000. 3 Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

## Note 29 Interests in subsidiaries and other entities (continued)

### Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG that are not individually significant but contribute to the Group's total assets and aggregated profit before tax thresholds and are thus disclosed in accordance with requirements set by the SEC.

**Other subsidiaries of UBS AG as of 31 December 2021**

| Company | Registered office | Primary business | Share capital in million | | Equity interest accumulated in % |
|---|---|---|---|---|---|
| UBS Asset Management (Americas) Inc. | Wilmington, Delaware, USA | Asset Management | USD | 0.0 | 100.0 |
| UBS Asset Management (Hong Kong) Limited | Hong Kong SAR, China | Asset Management | HKD | 254.0 | 100.0 |
| UBS Asset Management Life Ltd | London, United Kingdom | Asset Management | GBP | 15.0 | 100.0 |
| UBS Asset Management Switzerland AG | Zurich, Switzerland | Asset Management | CHF | 0.5 | 100.0 |
| UBS Business Solutions US LLC | Wilmington, Delaware, USA | Group Functions | USD | 0.0 | 100.0 |
| UBS Credit Corp. | Wilmington, Delaware, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS (France) S.A. | Paris, France | Global Wealth Management | EUR | 133.0 | 100.0 |
| UBS Fund Management (Luxembourg) S.A. | Luxembourg, Luxembourg | Asset Management | EUR | 13.0 | 100.0 |
| UBS Fund Management (Switzerland) AG | Basel, Switzerland | Asset Management | CHF | 1.0 | 100.0 |
| UBS (Monaco) S.A. | Monte Carlo, Monaco | Global Wealth Management | EUR | 49.2 | 100.0 |
| UBS O'Connor LLC | Wilmington, Delaware, USA | Asset Management | USD | 1.0 | 100.0 |
| UBS Realty Investors LLC | Boston, Massachusetts, USA | Asset Management | USD | 9.0 | 100.0 |
| UBS Securities Australia Ltd | Sydney, Australia | Investment Bank | AUD | 0.3[1] | 100.0 |
| UBS Securities Hong Kong Limited | Hong Kong SAR, China | Investment Bank | HKD | 4,154.2 | 100.0 |
| UBS Securities Japan Co., Ltd. | Tokyo, Japan | Investment Bank | JPY | 34,708.7 | 100.0 |
| UBS SuMi TRUST Wealth Management Co., Ltd. | Tokyo, Japan | Global Wealth Management | JPY | 5,165.0 | 51.0 |

1 Includes a nominal amount relating to redeemable preference shares.

### Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS has no individually significant subsidiaries that are SEs.

In 2021 and 2020, the Group did not enter into any contractual obligation that could require the Group to provide financial support to consolidated SEs. In addition, the Group did not provide support, financial or otherwise, to a consolidated SE when the Group was not contractually obligated to do so, nor does the Group have any intention to do so in the future. Furthermore, the Group did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in the Group controlling the SE during the reporting period.

## Note 29 Interests in subsidiaries and other entities (continued)

### b) Interests in associates and joint ventures

As of 31 December 2021 and 2020, no associate or joint venture was individually material to the Group. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS Group AG or its subsidiaries as cash dividends or to repay loans or advances made. There were no quoted market prices for any associates or joint ventures of the Group.

**Investments in associates and joint ventures**

| *USD million* | 2021 | 2020 |
|---|---|---|
| Carrying amount at the beginning of the year | 1,557 | 1,051 |
| Additions | 1 | 388 |
| Reclassifications[1] | (386) | 0 |
| Share of comprehensive income | 150 | 83 |
| *of which: share of net profit*[2] | *105* | *84* |
| *of which: share of other comprehensive income*[3] | *45* | *(1)* |
| Share of changes in retained earnings | 1 | (40) |
| Dividends received | (39) | (33) |
| Foreign currency translation | (39) | 108 |
| Carrying amount at the end of the year | 1,243 | 1,557 |
| *of which: associates* | *1,200* | *1,513* |
| *of which: SIX Group AG, Zurich*[4] | *1,043* | *965* |
| *of which: Clearstream Fund Centre AG, Zurich*[1] | | *399* |
| *of which: other associates* | *157* | *150* |
| *of which: joint ventures* | *43* | *44* |

1 In the second quarter of 2021, UBS reclassified its minority investment (48.8%) in Clearstream Fund Centre AG (previously Fondcenter AG) of USD 386 million to Properties and other non-current assets held for sale and sold the investment in the same quarter. Refer to Note 30 for more information. 2 For 2021, consists of USD 79 million from associates and USD 26 million from joint ventures. For 2020, consists of USD 64 million from associates and USD 19 million from joint ventures. 3 For 2021, consists of USD 44 million from associates and USD 1 million from joint ventures. For 2020, consists of negative USD 1 million from associates. 4 In 2021, UBS AG's equity interest amounted to 17.31%. UBS AG is represented on the Board of Directors.

## Note 29 Interests in subsidiaries and other entities (continued)

### c) Unconsolidated structured entities

UBS is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties for a transaction facilitated by the entity. During 2021, the Group sponsored the creation of various SEs and interacted with a number of non-sponsored SEs, including securitization vehicles, client vehicles and certain investment funds, that UBS did not consolidate as of 31 December 2021 because it did not control them.

#### Interests in unconsolidated structured entities

The table below presents the Group's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS had an interest as of year-end, except for investment funds sponsored by third parties, for which the carrying amount of UBS's interest as of year-end has been disclosed.

#### Sponsored unconsolidated structured entities in which UBS did not have an interest at year-end

During 2021 and 2020, the Group did not earn material income from sponsored unconsolidated SEs in which UBS did not have an interest at year-end.

During 2021 and 2020, UBS and third parties did not transfer any assets into sponsored securitization vehicles created in the year. UBS and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 1 billion and USD 2 billion, respectively, into sponsored client vehicles created in 2021 (2020: USD 0 billion and USD 9 billion, respectively). For sponsored investment funds, transfers arose during the period as investors invested and redeemed positions, thereby changing the overall size of the funds, which, when combined with market movements, resulted in a total closing net asset value of USD 46 billion (31 December 2020: USD 37 billion).

**Interests in unconsolidated structured entities**

| | 31.12.21 | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss[1] |
| Financial assets at fair value held for trading | 246 | 162 | 6,743 | 7,151 | 7,151 |
| Derivative financial instruments | 5 | 45 | 155 | 205 | 205 |
| Loans and advances to customers | | | 125 | 125 | 125 |
| Financial assets at fair value not held for trading | 35 | | 222 | 257 | 257 |
| Financial assets measured at fair value through other comprehensive income | 324 | 4,525 | | 4,849 | 4,849 |
| Other financial assets measured at amortized cost | | 0[2] | 0 | 1 | 250 |
| Total assets | 610[3] | 4,732 | 7,247 | 12,588 | |
| Derivative financial instruments | 2 | 11 | 281 | 294 | |
| Total liabilities | 2 | 11 | 281 | 294 | |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD billion) | 30[4] | 81[5] | 158[6] | | |

| | 31.12.20 | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss[1] |
| Financial assets at fair value held for trading | 375 | 131 | 7,595 | 8,101 | 8,101 |
| Derivative financial instruments | 6 | 49 | 158 | 213 | 211 |
| Loans and advances to customers | | | 179 | 179 | 179 |
| Financial assets at fair value not held for trading | 35 | 1[2] | 172 | 208 | 208 |
| Financial assets measured at fair value through other comprehensive income | | 6,624 | | 6,624 | 6,624 |
| Other financial assets measured at amortized cost | | 0[2] | | 0 | 250 |
| Total assets | 416[3] | 6,805 | 8,104 | 15,326 | |
| Derivative financial instruments | 3 | 11 | 376 | 390 | 0 |
| Total liabilities | 3 | 11 | 376 | 390 | |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD billion) | 39[4] | 136[5] | 124[6] | | |

1 For the purpose of this disclosure, maximum exposure to loss amounts do not consider the risk-reducing effects of collateral or other credit enhancements. 2 Represents the carrying amount of loan commitments. The maximum exposure to loss for these instruments is equal to the notional amount. 3 As of 31 December 2021, USD 0.1 billion of the USD 0.6 billion (31 December 2020: USD 0.2 billion of the USD 0.4 billion) was held in Group Functions – Non-core and Legacy Portfolio. 4 Represents the principal amount outstanding. 5 Represents the market value of total assets. 6 Represents the net asset value of the investment funds sponsored by UBS and the carrying amount of UBS's interests in the investment funds not sponsored by UBS. In 2021, UBS updated the presentation of this table to remove its interests in unconsolidated structured investment funds and the corresponding total asset information, where UBS's interest is driven solely from UBS's role as the fund's investment manager and the fees it receives. This information is now separately disclosed in the accompanying text on the following page. Prior-period information has been aligned with this new presentation.

The Group retains or purchases interests in unconsolidated SEs in the form of direct investments, financing, guarantees, letters of credit, derivatives, as well as through management contracts. The Group's maximum exposure to loss is generally equal to the carrying amount of the Group's interest in the SE, with this subject to change over time with market movements. Guarantees, letters of credit and credit derivatives are an exception, with the contract's notional amount, adjusted for losses already incurred, representing the maximum loss that the Group is exposed to.

The maximum exposure to loss disclosed in the table on the previous page does not reflect the Group's risk management activities, including effects from financial instruments that may be used to economically hedge risks inherent in the unconsolidated SE or risk-reducing effects of collateral or other credit enhancements.

In 2021 and 2020, the Group did not provide support, financial or otherwise, to an unconsolidated SE when not contractually obligated to do so, nor does the Group have any intention to do so in the future.

In 2021 and 2020, income and expenses from interests in unconsolidated SEs primarily resulted from mark-to-market movements recognized in *Other net income from financial instruments measured at fair value through profit of loss*, which have generally been hedged with other financial instruments, as well as fee and commission income received from UBS-sponsored funds.

### Interests in securitization vehicles

As of 31 December 2021 and 31 December 2020, the Group held interests, both retained and acquired, in various securitization vehicles that relate to financing, underwriting, secondary market and derivative trading activities.

The numbers outlined in the table on the previous page may differ from the securitization positions presented in the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for the following reasons: (i) exclusion of synthetic securitizations transacted with entities that are not SEs and transactions in which the Group did not have an interest because it did not absorb any risk; (ii) a different measurement basis in certain cases (e.g., IFRS carrying amount within the previous table compared with net exposure amount at default for Pillar 3 disclosures); and (iii) different classification of vehicles viewed as sponsored by the Group versus sponsored by third parties.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information**

### Interests in client vehicles

Client vehicles are established predominantly for clients to gain exposure to specific assets or risk exposures. Such vehicles may enter into derivative agreements, with UBS or a third party, to align the cash flows of the entity with the investor's intended investment objective, or to introduce other desired risk exposures.

As of 31 December 2021 and 31 December 2020, the Group retained interests in client vehicles sponsored by UBS and third parties that relate to financing, secondary market and derivative trading activities, and to hedge structured product offerings.

### Interests in investment funds

Investment funds have a collective investment objective, and are either passively managed, so that any decision making does not have a substantive effect on variability, or are actively managed and investors or their governing bodies do not have substantive voting or similar rights.

The Group holds interests in a number of investment funds, primarily resulting from seed investments or in order to hedge structured product offerings. In addition to the interests disclosed in the table on the previous page, the Group manages the assets of various pooled investment funds and receives fees based, in whole or part, on the net asset value of the fund and / or the performance of the fund. The specific fee structure is determined based on various market factors and considers the fund's nature and the jurisdiction of incorporation, as well as fee schedules negotiated with clients. These fee contracts represent an interest in the fund, as they align the Group's exposure with investors, providing a variable return based on the performance of the entity. Depending on the structure of the fund, these fees may be collected directly from the fund's assets and / or from the investors. Any amounts due are collected on a regular basis and are generally backed by the fund's assets. Therefore interest in such funds is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such funds were USD 370 billion and USD 359 billion as of 31 December 2021 and 31 December 2020, respectively, and have been excluded from the table on the previous page. The Group did not have any material exposure to loss from these interests as of 31 December 2021 or as of 31 December 2020.

## Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses

### Strategic partnership with Sumitomo Mitsui Trust Holdings

In 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 joint venture that was established to promote the respective services. At the time, UBS and SuMi Trust Holdings also started offering each other's products and services to their respective clients.

In the third quarter of 2021, the second phase of the partnership was completed, with the launch of a new operational partnership entity, UBS SuMi TRUST Wealth Management Co., Ltd., which is 51%-owned and controlled by UBS, requiring UBS to consolidate this entity. The new entity offers global securities and wealth management capabilities, together with the custody, real estate, inheritance and wealth transfer expertise of a Japanese trust banking group. Upon completion of this transaction in the third quarter of 2021, shareholders' equity of the Group increased by USD 155 million, with no effect on profit or loss.

### Disposals of subsidiaries and businesses

#### Sale of remaining investment in Clearstream Fund Centre AG

In the second quarter of 2021, UBS sold its remaining minority investment in Clearstream Fund Centre AG to Deutsche Börse AG for CHF 390 million. The transaction followed the sale of a majority investment and successful transfer of control of Fondcenter AG to Deutsche Börse AG in 2020, when UBS recognized a post-tax gain on sale of USD 631 million in *Other income*. The sale of the remaining 48.8% investment resulted in a post-tax gain of USD 37 million in 2021, which was recognized in *Other income*, with no associated net tax expense. Long-term commercial cooperation arrangements remain in place for the provision of services by Clearstream to UBS, including jointly servicing banks and insurance companies.

#### Sale of wealth management business in Austria

In the third quarter of 2021, UBS completed the sale of its domestic wealth management business in Austria to LGT. The sale resulted in a pre-tax gain of USD 100 million, which was recognized in *Other income*, and an associated tax expense of USD 25 million.

#### Sale of wealth management business in Spain in 2022

In October 2021, UBS signed an agreement to sell its domestic wealth management business in Spain to Singular Bank. The agreement includes the transition of employees, client relationships, products and services of the wealth management business of UBS in Spain. The transaction is subject to customary closing conditions and is expected to close in the third quarter of 2022.

As of 31 December 2021, the assets and liabilities of the business were presented in Global Wealth Management as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* and amounted to USD 647 million and USD 823 million, respectively. Upon the closing of the transaction, UBS expects to record a pre-tax gain of approximately USD 0.2 billion.

#### Sale of UBS Swiss Financial Advisers AG in 2022

In December 2021, UBS signed an agreement to sell its wholly owned subsidiary UBS Swiss Financial Advisers AG (SFA) to Vontobel. SFA is an SEC-registered investment advisor and FINMA-licensed securities firm that offers US clients tailored investment solutions in a Switzerland-based environment. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the third quarter of 2022.

As of 31 December 2021, the assets and liabilities that are subject to the transaction were presented in Global Wealth Management as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* and amounted to USD 446 million and USD 475 million, respectively. Upon the closing of the transaction, UBS does not expect a material effect on profit or loss or shareholders' equity of the Group.

### Acquisitions of subsidiaries and businesses in 2022

#### Acquisition of Wealthfront in 2022

In January 2022, UBS entered into an agreement to acquire Wealthfront, an industry-leading digital wealth management provider, for a cash consideration of USD 1.4 billion. The acquisition is aligned with UBS's growth strategy in the Americas, will broaden our reach among affluent investors and will add a new digital-first offering increasing our distribution capabilities. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the second half of 2022. Upon the closing of the transaction, Wealthfront will become a wholly owned subsidiary of UBS and UBS expects to recognize additional goodwill and other intangible assets of approximately USD 1.2 billion.

## Note 31 Related parties

UBS defines related parties as associates (entities that are significantly influenced by UBS), joint ventures (entities in which UBS shares control with another party), post-employment benefit plans for UBS employees, key management personnel, close family members of key management personnel and entities that are, directly or indirectly, controlled or jointly controlled by key management personnel or their close family members. Key management personnel is defined as members of the Board of Directors (BoD) and Group Executive Board (GEB).

### a) Remuneration of key management personnel

The Chairman of the BoD has a specific management employment contract and receives pension benefits upon retirement. Total remuneration of the Chairman of the BoD and all GEB members is included in the table below.

**Remuneration of key management personnel**

| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 |
|---|---|---|---|
| Base salaries and other cash payments[1] | 31 | 33 | 32 |
| Incentive awards – cash[2] | 17 | 18 | 14 |
| Annual incentive award under DCCP | 26 | 27 | 21 |
| Employer's contributions to retirement benefit plans | 3 | 3 | 3 |
| Benefits in kind, fringe benefits (at market value) | 1 | 1 | 1 |
| Share-based compensation[3] | 45 | 47 | 37 |
| Total | 124 | 129 | 108 |
| Total (CHF million)[4] | 113 | 121 | 107 |

1 May include role-based allowances in line with market practice and regulatory requirements. 2 The cash portion may also include blocked shares in line with regulatory requirements. 3 Compensation expense is based on the share price on grant date taking into account performance conditions. Refer to Note 27 for more information. For GEB members, share-based compensation for 2021, 2020 and 2019 was entirely composed of LTIP awards.For the Chairman of the BoD the share-based compensation for 2021, 2020 and 2019 was entirely composed of UBS shares. 4 Swiss franc amounts disclosed represent the respective US dollar amounts translated at the applicable performance award currency exchange rates (2021: USD / CHF 0.92; 2020: USD / CHF 0.94; 2019: USD / CHF 0.99).

The independent members of the BoD do not have employment or service contracts with UBS, and thus are not entitled to benefits upon termination of their service on the BoD. Payments to these individuals for their services as external board members amounted to USD 7.5 million (CHF 6.9 million) in 2021, USD 7.0 million (CHF 6.6 million) in 2020 and USD 7.3 million (CHF 7.3 million) in 2019.

### b) Equity holdings of key management personnel

**Equity holdings of key management personnel[1]**

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Number of shares held by members of the BoD, GEB and parties closely linked to them[2] | 4,597,006 | 5,288,317 |

1 No options were held in 2021 and 2020 by non-independent members of the BoD and any GEB member or any of its related parties. 2 Excludes shares granted under variable compensation plans with forfeiture provisions.

Of the share totals above, no shares were held by close family members of key management personnel on 31 December 2021 and 31 December 2020. No shares were held by entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members on 31 December 2021 and 31 December 2020. As of 31 December 2021, no member of the BoD or GEB was the beneficial owner of more than 1% of UBS Group AG's shares.

**Note 31 Related parties (continued)**

## c) Loans, advances and mortgages to key management personnel

The non-independent members of the BoD and GEB members are granted loans, fixed advances and mortgages in the ordinary course of business on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent BoD members are granted loans and mortgages in the ordinary course of business at general market conditions.

Movements in the loan, advances and mortgage balances are as follows.

**Loans, advances and mortgages to key management personnel[1]**

| *USD million, except where indicated* | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of the year | 38 | 33 |
| Additions | 11 | 14 |
| Reductions | (15) | (8) |
| Balance at the end of the year[2] | 34 | 38 |
| Balance at the end of the year (CHF million)[2, 3] | 31 | 34 |

1 All loans are secured loans. 2 There were no unused uncommitted credit facilities as of 31 December 2021 and 31 December 2020. 3 Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

## d) Other related-party transactions with entities controlled by key management personnel

In 2021 and 2020, UBS did not enter into transactions with entities that are directly or indirectly controlled or jointly controlled by UBS's key management personnel or their close family members and as of 31 December 2021, 31 December 2020 and 31 December 2019, there were no outstanding balances related to such transactions. Furthermore, in 2021 and 2020, entities controlled by key management personnel did not sell any goods or provide any services to UBS, and therefore did not receive any fees from UBS. UBS also did not provide services to such entities in 2021 and 2020, and therefore also received no fees.

## e) Transactions with associates and joint ventures

**Loans to and outstanding receivables from associates and joint ventures**

| *USD million* | 2021 | 2020 |
|---|---|---|
| Carrying amount at the beginning of the year | 630 | 982 |
| Additions | 133 | 527 |
| Reductions | (497) | (1,001) |
| Foreign currency translation | (14) | 123 |
| Carrying amount at the end of the year | 251 | 630 |
| *of which: unsecured loans and receivables* | *243* | *621* |

**Other transactions with associates and joint ventures**

| | As of or for the year ended | |
|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 |
| Payments to associates and joint ventures for goods and services received | 157 | 139 |
| Fees received for services provided to associates and joint ventures | 104 | 128 |
| Liabilities to associates and joint ventures | 127 | 91 |
| Commitments and contingent liabilities to associates and joint ventures | 7 | 9 |

› **Refer to Note 29 for an overview of investments in associates and joint ventures**

## Note 32 Invested assets and net new money

The following disclosures provide a breakdown of UBS's invested assets and a presentation of their development, including net new money, as required by the Swiss Financial Market Supervisory Authority.

### Invested assets

Invested assets consist of all client assets managed by or deposited with UBS for investment purposes. Invested assets include managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. All assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, are excluded from invested assets, as the Group only administers the assets and does not offer advice on how they should be invested. Also excluded are non-bankable assets (e.g., art collections) and deposits from third-party banks for funding or trading purposes.

Discretionary assets are defined as client assets that UBS decides how to invest. Other invested assets are those where the client ultimately decides how the assets are invested. When a single product is created in one business division and sold in another, it is counted in both the business division managing the investment and the one distributing it. This results in double counting within UBS total invested assets, as both business divisions are independently providing a service to their respective clients, and both add value and generate revenue.

### Net new money

Net new money in a reporting period is the amount of invested assets entrusted to UBS by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS.

Net new money is calculated using the direct method, under which inflows and outflows to / from invested assets are determined at the client level, based on transactions. Interest and dividend income from invested assets are not counted as net new money inflows. Market and currency movements, as well as fees, commissions and interest on loans charged, are excluded from net new money, as are effects resulting from any acquisition or divestment of a UBS subsidiary or business. Reclassifications between invested assets and custody-only assets as a result of a change in service level delivered are generally treated as net new money flows. However, where the change in service level directly results from an externally imposed regulation or a strategic decision by UBS to exit a market or specific service offering, the one-time net effect is reported as *Other effects*.

The Investment Bank does not track invested assets and net new money. However, when a client is transferred from the Investment Bank to another business division, this may produce net new money even though the client assets were already with UBS.

**Invested assets and net new money**

| | As of or for the year ended | |
|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 |
| Fund assets managed by UBS | 419 | 397 |
| Discretionary assets | 1,705 | 1,459 |
| Other invested assets | 2,472 | 2,331 |
| Total invested assets[1] | 4,596 | 4,187 |
| *of which: double counts* | *356* | *311* |
| Net new money[1] | 159 | 127 |

1 Includes double counts.

**Development of invested assets**

| *USD billion* | 2021 | 2020 |
|---|---|---|
| Total invested assets at the beginning of the year[1] | 4,187 | 3,607 |
| Net new money | 159 | 127 |
| Market movements[2] | 339 | 359 |
| Foreign currency translation | (65) | 96 |
| Other effects | (24) | (1) |
| *of which: acquisitions / (divestments)* | *(5)* | *0* |
| Total invested assets at the end of the year[1] | 4,596 | 4,187 |

1 Includes double counts. 2 Includes interest and dividend income.

## Note 33 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS's operations with a functional currency other than the US dollar into US dollars.

| | Closing exchange rate | | Average rate[1] | | |
|---|---|---|---|---|---|
| | As of | | For the year ended | | |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.19 |
| 1 CHF | 1.10 | 1.13 | 1.09 | 1.07 | 1.01 |
| 1 EUR | 1.14 | 1.22 | 1.18 | 1.15 | 1.12 |
| 1 GBP | 1.35 | 1.37 | 1.37 | 1.29 | 1.28 |
| 100 JPY | 0.87 | 0.97 | 0.91 | 0.94 | 0.92 |

1 Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a year represent an average of 12 month-end rates, weighted according to the income and expense volumes of all operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

## Note 34 Events after the reporting period

### Russia's invasion of Ukraine

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets and the global economy, as well as coordinated implementation of sanctions by Switzerland, the United States, the European Union, the United Kingdom and others against Russia and, certain Russian entities and nationals. These events, together with potential counter-sanctions and other measures taken by Russia, impact UBS's businesses.

UBS's country risk exposure to Russia was approximately USD 0.6 billion across its business divisions as of 31 December 2021. This exposure has been reduced since year-end 2021. In addition, UBS is currently monitoring settlement risk on certain open transactions with Russian bank- or non-bank counterparties or Russian underlyings, as market closures, the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. UBS's balance sheet as of 31 December 2021 also included net assets of USD 51 million held in UBS's Russian subsidiary, OOO UBS Bank. As of 3 March 2022, UBS also had approximately USD 0.2 billion of exposure arising from reliance on Russian assets as collateral on Lombard lending and other secured financing in Global Wealth Management.

As of 3 March 2022, UBS identified a small number of Global Wealth Management clients subject to the recently introduced sanctions with total loans outstanding of under USD 10 million.

UBS continues to closely monitor related effects on its financial statements, including estimated direct and indirect impacts on expected credit loss calculations and on fair value measurement of assets, liabilities and off-balance sheet exposures. The situation continues to evolve and broader implications for other counterparties of UBS, including financial institutions, are not possible to assess at this time; however, there were no material adverse effects on UBS's financial statements as of 4 March 2022.

› **Refer to "Top and emerging risks" and "Country risk" in the "Risk management and control" section and to "Performance in the financial services industry is affected by market conditions and the macroeconomic climate" in the "Risk factors" section of this report for more information**

The consolidated financial statements of UBS Group AG are prepared in accordance with International Financial Reporting Standards (IFRS). The Swiss Financial Market Supervisory Authority (FINMA) requires financial groups presenting financial statements under IFRS to provide a narrative explanation of the main differences between IFRS and Swiss generally accepted accounting principles (GAAP) (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance (the BO)). Included in this Note are the significant differences in the recognition and measurement between IFRS and the provisions of the BO and the guidelines of FINMA governing true and fair view financial statement reporting pursuant to Art. 25 to Art. 42 of the BO.

## 1. Consolidation

Under IFRS, all entities that are controlled by the holding entity are consolidated. Under Swiss GAAP, controlled entities deemed immaterial to the Group or held only temporarily are exempt from consolidation, but instead are recorded as participations accounted for under the equity method of accounting or as financial investments measured at the lower of cost or market value.

## 2. Classification and measurement of financial assets

Under IFRS, debt instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the nature of the business model within which the asset is held and the characteristics of the contractual cash flows of the asset. Equity instruments are accounted for at FVTPL by UBS. Under Swiss GAAP, trading assets and derivatives are measured at FVTPL in line with IFRS. However, non-trading debt instruments are generally measured at amortized cost, even when the assets are managed on a fair value basis. In addition, the measurement of financial assets in the form of securities depends on the nature of the asset: debt instruments not held to maturity, i.e., instruments available for sale, and equity instruments with no permanent holding intent, are classified as *Financial investments* and measured at the lower of (amortized) cost or market value. Market value adjustments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded in the income statement as *Other income from ordinary activities.* Equity instruments with a permanent holding intent are classified as participations in *Non-consolidated investments in subsidiaries and other participations* and are measured at cost less impairment. Impairment losses are recorded in the income statement as *Impairment of investments in non-consolidated subsidiaries and other participations.* Reversals of impairments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded as *Extraordinary income / Extraordinary expenses*.

## 3. Fair value option applied to financial liabilities

Under IFRS, UBS applies the fair value option to certain financial liabilities not held for trading. Instruments for which the fair value option is applied are accounted for at FVTPL. The amount of change in the fair value attributable to changes in UBS's own credit is presented in *Other comprehensive income* directly within *Retained earnings*. The fair value option is applied primarily to issued structured debt instruments, certain non-structured debt instruments, certain payables under repurchase agreements and cash collateral on securities lending agreements, amounts due under unit-linked investment contracts, and brokerage payables.

Under Swiss GAAP, the fair value option can only be applied to structured debt instruments consisting of a debt host contract and one or more embedded derivatives that do not relate to own equity. Furthermore, unrealized changes in fair value attributable to changes in UBS's own credit are not recognized, whereas realized own credit is recognized in *Net trading income*.

## 4. Allowances and provisions for credit losses

Swiss GAAP permit use of IFRS for accounting for allowances and provisions for credit losses based on an expected credit loss (ECL) model. UBS has chosen to apply the IFRS 9 ECL approach to the substantial majority of exposures in scope of Swiss GAAP ECL requirements, including all exposures in scope of ECL under both Swiss GAAP and IFRS.

In addition, for a small population of exposures within the scope of Swiss GAAP ECL requirements, which are not subject to ECL under IFRS due to classification and measurements differences, UBS applies an alternative approach. Where Pillar 1 internal ratings-based (IRB) models are applied to measure credit risk, ECL for such exposures is determined by the regulatory expected loss (EL), with an add-on for scaling up to the residual maturity of exposures maturing beyond the next 12 months. For detailed information on regulatory EL, refer to the "Risk management and control" section of this report. For exposures where the Pillar 1 standardized approach (SA) is used to measure credit risk, ECL is determined using a portfolio approach that derives a conservative probability of default (PD) and loss given default (LGD) for the entire portfolio.

## 5. Hedge accounting

Under IFRS, when cash flow hedge accounting is applied, the fair value gain or loss on the effective portion of a derivative designated as a cash flow hedge is recognized initially in equity and reclassified to the income statement when certain conditions are met. When fair value hedge accounting is applied, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and is recognized in the income statement along with the change in the fair value of the hedging derivative. Under Swiss GAAP, the effective portion of the fair value change of a derivative instrument designated as a cash flow or as a fair value hedge is deferred on the balance sheet as *Other assets* or *Other liabilities*. The carrying amount of the hedged item designated in fair value hedges is not adjusted for fair value changes attributable to the hedged risk.

**Note 35 Main differences between IFRS and Swiss GAAP (continued)**

## 6. Goodwill and intangible assets

Under IFRS, goodwill acquired in a business combination is not amortized but tested annually for impairment. Intangible assets with an indefinite useful life are also not amortized but tested annually for impairment. Under Swiss GAAP, goodwill and intangible assets with indefinite useful lives are amortized over a period not exceeding five years, unless a longer useful life, which may not exceed 10 years, can be justified. In addition, these assets are tested annually for impairment.

## 7. Post-employment benefit plans

Swiss GAAP permit the use of IFRS or Swiss accounting standards for post-employment benefit plans, with the election made on a plan-by-plan basis.

UBS has elected to apply IFRS (IAS 19) for the non-Swiss defined benefit plans in the UBS AG standalone financial statements and Swiss GAAP (FER 16) for the Swiss pension plan in the UBS AG and the UBS Switzerland AG standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS. Key differences between Swiss GAAP and IFRS include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP (i.e., the technical interest rate) is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

For defined benefit plans, IFRS require the full defined benefit obligation net of the plan assets to be recorded on the balance sheet subject to the asset ceiling rules, with changes resulting from remeasurements recognized directly in equity. However, for non-Swiss defined benefit plans for which IFRS accounting is elected, changes due to remeasurements are recognized in the income statement of UBS AG standalone under Swiss GAAP.

Swiss GAAP require employer contributions to the pension fund to be recognized as personnel expenses in the income statement. Swiss GAAP also require an assessment of whether, based on the pension fund's financial statements prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, the employer arises from the pension fund that is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or the employer is required to contribute to the reduction of a pension deficit (on an FER 26 basis).

## 8. Leasing

Under IFRS, a single lease accounting model applies that requires UBS to record a right-of-use (RoU) asset and a corresponding lease liability on the balance sheet when UBS is a lessee in a lease arrangement. The RoU asset and the lease liability are recognized when UBS acquires control of the physical use of the asset. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS's unsecured borrowing rate. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset and / or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Under Swiss GAAP, leases that transfer substantially all the risks and rewards, but not necessarily legal title in the underlying assets, are classified as finance leases. All other leases are classified as operating leases. Whereas finance leases are recognized on the balance sheet and measured in line with IFRS, operating leases are not recognized on the balance sheet, with payments recognized as *General and administrative expenses* on a straight-line basis over the lease term, which commences with control of the physical use of the asset. Lease incentives are treated as a reduction of rental expense and recognized on a consistent basis over the lease term.

## 9. Netting of derivative assets and liabilities

Under IFRS, derivative assets, derivative liabilities and related cash collateral not settled to market are reported on a gross basis unless the restrictive IFRS netting requirements are met: (i) existence of master netting agreements and related collateral arrangements that are unconditional and legally enforceable, in both the normal course of business and the event of default, bankruptcy or insolvency of UBS and its counterparties; and (ii) UBS's intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Under Swiss GAAP, derivative assets, derivative liabilities and related cash collateral not settled to market are generally reported on a net basis, provided the master netting and the related collateral agreements are legally enforceable in the event of default, bankruptcy or insolvency of UBS's counterparties.

## 10. Negative interest

Under IFRS, negative interest income arising on a financial asset does not meet the definition of interest income and, therefore, negative interest on financial assets and negative interest on financial liabilities are presented within interest expense and interest income, respectively. Under Swiss GAAP, negative interest on financial assets is presented within interest income and negative interest on financial liabilities is presented within interest expense.

## 11. Extraordinary income and expense

Certain non-recurring and non-operating income and expense items, such as realized gains or losses from the disposal of participations, fixed and intangible assets, and reversals of impairments of participations and fixed assets, are classified as extraordinary items under Swiss GAAP. This distinction is not available under IFRS. ▲

# UBS AG consolidated financial information

This section contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated. Information for UBS AG consolidated does not differ materially from UBS Group AG on a consolidated basis.

## Comparison between UBS Group AG consolidated and UBS AG consolidated

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below:

– Assets, liabilities, operating income, operating expenses and tax expenses / (benefits) relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements.
– Differences in net profit between UBS Group AG consolidated and UBS AG consolidated mainly arise as UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred. In addition, and to a lesser extent, differences arise as a result of certain compensation-related matters, including pensions.
– The equity of UBS Group AG consolidated was USD 2.6 billion higher than the equity of UBS AG consolidated as of 31 December 2021. This difference was mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the UBS Group AG consolidated financial statements, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. In addition, UBS Group is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were partly offset by treasury shares acquired as part of our share repurchase programs and those held to hedge share delivery obligations associated with Group compensation plans, as well as additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.
– The going concern capital of UBS Group AG consolidated was USD 5.1 billion higher than the going concern capital of UBS AG consolidated as of 31 December 2021, reflecting higher common equity tier 1 (CET1) capital of USD 3.7 billion and higher going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.4 billion
– The CET1 capital of UBS Group AG consolidated was USD 3.7 billion higher than that of UBS AG consolidated as of 31 December 2021. The higher CET1 capital of UBS Group AG consolidated was primarily due to a higher UBS Group AG consolidated IFRS equity of USD 2.6 billion, as described above, and lower UBS Group AG accruals for future dividends to shareholders, as well as a higher capital deduction at the UBS AG consolidated level related to deferred tax assets on temporary differences. The aforementioned factors were partly offset by compensation-related regulatory capital accruals at the UBS Group AG level.
– The going concern loss-absorbing AT1 capital of UBS Group AG consolidated was USD 1.4 billion higher than that of UBS AG consolidated as of 31 December 2021, mainly reflecting deferred contingent capital plan awards granted at the Group level to eligible employees for the performance years 2016 to 2020, partly offset by two loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

## UBS AG consolidated key figures

| | As of or for the year ended | | |
|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19[1] |
| Results | | | |
| Operating income | 35,976 | 32,780 | 29,307 |
| Operating expenses | 27,012 | 25,081 | 24,138 |
| Operating profit / (loss) before tax | 8,964 | 7,699 | 5,169 |
| Net profit / (loss) attributable to shareholders | 7,032 | 6,196 | 3,965 |
| Profitability and growth[2] | | | |
| Return on equity (%) | 12.3 | 10.9 | 7.4 |
| Return on tangible equity (%) | 13.9 | 12.4 | 8.5 |
| Return on common equity tier 1 capital (%) | 17.6 | 16.6 | 11.3 |
| Return on risk-weighted assets, gross (%) | 12.3 | 11.9 | 11.2 |
| Return on leverage ratio denominator, gross (%)[3] | 3.4 | 3.4 | 3.2 |
| Cost / income ratio (%) | 75.4 | 74.9 | 82.1 |
| Net profit growth (%) | 13.5 | 56.3 | (3.4) |
| Resources | | | |
| Total assets | 1,116,145 | 1,125,327 | 971,927 |
| Equity attributable to shareholders | 58,102 | 57,754 | 53,722 |
| Common equity tier 1 capital[4] | 41,594 | 38,181 | 35,233 |
| Risk-weighted assets[4] | 299,005 | 286,743 | 257,831 |
| Common equity tier 1 capital ratio (%)[4] | 13.9 | 13.3 | 13.7 |
| Going concern capital ratio (%)[4] | 18.5 | 18.3 | 18.3 |
| Total loss-absorbing capacity ratio (%)[4] | 33.3 | 34.2 | 33.9 |
| Leverage ratio denominator[3,4] | 1,067,679 | 1,036,771 | 911,228 |
| Common equity tier 1 leverage ratio (%)[3,4] | 3.90 | 3.68 | 3.87 |
| Going concern leverage ratio (%)[3,4] | 5.2 | 5.1 | 5.2 |
| Total loss-absorbing capacity leverage ratio (%)[4] | 9.3 | 9.5 | 9.6 |
| Other | | | |
| Invested assets (USD billion)[5] | 4,596 | 4,187 | 3,607 |
| Personnel (full-time equivalents) | 47,067 | 47,546 | 47,005 |

1 Refer to the "Accounting and financial reporting" and "Consolidated financial statements" sections of this report for information about the restatement of comparative information, where applicable. 2 Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance measurement. 3 Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 4 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 5 Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information.

**Comparison between UBS Group AG consolidated and UBS AG consolidated**

| | As of or for the year ended 31.12.21 | | | As of or for the year ended 31.12.20 | | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) |
| **Income statement** | | | | | | |
| Operating income | 35,542 | 35,976 | (434) | 32,390 | 32,780 | (390) |
| Operating expenses | 26,058 | 27,012 | (955) | 24,235 | 25,081 | (846) |
| Operating profit / (loss) before tax | 9,484 | 8,964 | 520 | 8,155 | 7,699 | 456 |
| *of which: Global Wealth Management* | *4,783* | *4,706* | *77* | *4,019* | *3,965* | *54* |
| *of which: Personal & Corporate Banking* | *1,731* | *1,726* | *4* | *1,259* | *1,261* | *(2)* |
| *of which: Asset Management* | *1,030* | *1,023* | *7* | *1,455* | *1,454* | *1* |
| *of which: Investment Bank* | *2,630* | *2,592* | *38* | *2,482* | *2,441* | *41* |
| *of which: Group Functions* | *(689)* | *(1,083)* | *394* | *(1,060)* | *(1,423)* | *362* |
| Net profit / (loss) | 7,486 | 7,061 | 425 | 6,572 | 6,211 | 361 |
| *of which: net profit / (loss) attributable to shareholders* | *7,457* | *7,032* | *425* | *6,557* | *6,196* | *361* |
| *of which: net profit / (loss) attributable to non-controlling interests* | *29* | *29* | *0* | *15* | *15* | *0* |
| **Statement of comprehensive income** | | | | | | |
| Other comprehensive income | (2,367) | (2,235) | (131) | 1,740 | 1,759 | (19) |
| *of which: attributable to shareholders* | *(2,351)* | *(2,220)* | *(131)* | *1,719* | *1,738* | *(19)* |
| *of which: attributable to non-controlling interests* | *(16)* | *(16)* | *0* | *21* | *21* | *0* |
| Total comprehensive income | 5,119 | 4,826 | 293 | 8,312 | 7,970 | 342 |
| *of which: attributable to shareholders* | *5,106* | *4,813* | *293* | *8,276* | *7,934* | *342* |
| *of which: attributable to non-controlling interests* | *13* | *13* | *0* | *36* | *36* | *0* |
| **Balance sheet** | | | | | | |
| Total assets | 1,117,182 | 1,116,145 | 1,037 | 1,125,765 | 1,125,327 | 438 |
| Total liabilities | 1,056,180 | 1,057,702 | (1,522) | 1,066,000 | 1,067,254 | (1,254) |
| Total equity | 61,002 | 58,442 | 2,559 | 59,765 | 58,073 | 1,691 |
| *of which: equity attributable to shareholders* | *60,662* | *58,102* | *2,559* | *59,445* | *57,754* | *1,691* |
| *of which: equity attributable to non-controlling interests* | *340* | *340* | *0* | *319* | *319* | *0* |
| **Capital information** | | | | | | |
| Common equity tier 1 capital | 45,281 | 41,594 | 3,687 | 39,890 | 38,181 | 1,709 |
| Going concern capital | 60,488 | 55,434 | 5,054 | 56,178 | 52,610 | 3,567 |
| Risk-weighted assets | 302,209 | 299,005 | 3,204 | 289,101 | 286,743 | 2,358 |
| Common equity tier 1 capital ratio (%) | 15.0 | 13.9 | 1.1 | 13.8 | 13.3 | 0.5 |
| Going concern capital ratio (%) | 20.0 | 18.5 | 1.5 | 19.4 | 18.3 | 1.1 |
| Total loss-absorbing capacity ratio (%) | 34.7 | 33.3 | 1.3 | 35.2 | 34.2 | 1.0 |
| Leverage ratio denominator | 1,068,862 | 1,067,679 | 1,183 | 1,037,150 | 1,036,771 | 379 |
| Common equity tier 1 leverage ratio (%) | 4.24 | 3.90 | 0.34 | 3.85 | 3.68 | 0.16 |
| Going concern leverage ratio (%) | 5.7 | 5.2 | 0.5 | 5.4 | 5.1 | 0.3 |
| Total loss-absorbing capacity leverage ratio (%) | 9.8 | 9.3 | 0.5 | 9.8 | 9.5 | 0.3 |

## Management's report on internal control over financial reporting

### Management's responsibility for internal control over financial reporting

The Board of Directors and management of UBS AG are responsible for establishing and maintaining adequate internal control over financial reporting. UBS AG's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

UBS AG's internal control over financial reporting includes those policies and procedures that:

– pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
– provide reasonable assurance that transactions are recorded as necessary to permit preparation and fair presentation of financial statements, and that receipts and expenditures of the company are being made only in accordance with authorizations of UBS AG management; and
– provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Management's assessment of internal control over financial reporting as of 31 December 2021

UBS AG management has assessed the effectiveness of UBS AG's internal control over financial reporting as of 31 December 2021 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework). Based on this assessment, management believes that, as of 31 December 2021, UBS AG's internal control over financial reporting was effective.

The effectiveness of UBS AG's internal control over financial reporting as of 31 December 2021 has been audited by Ernst & Young Ltd, UBS AG's independent registered public accounting firm, as stated in their report appearing on page 407 which expresses an unqualified opinion on the effectiveness of UBS AG's internal control over financial reporting as of 31 December 2021.

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS AG

### Opinion on Internal Control over Financial Reporting

We have audited UBS AG and subsidiaries' internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UBS AG and subsidiaries ("the Group") maintained, in all material respects, effective internal control over financial reporting as of 31 December 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of 31 December 2021 and 2020, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2021, and the related notes and our report dated 4 March 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Ltd

*Ernst & Young Ltd*
Basel, 4 March 2022

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS AG

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UBS AG and subsidiaries ("the Group") as of 31 December 2021 and 2020, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2021, and the related notes to the consolidated financial statements, including the information identified as "audited" as described in Note 1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2021, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group's internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated 4 March 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on the Group's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Valuation of complex or illiquid instruments at fair value***

| | |
|---|---|
| *Description of the Matter* | At 31 December 2021, as explained in Notes 1 and 21 to the consolidated financial statements, the Group held financial assets and liabilities measured at fair value of USD 345,010 million and USD 300,916 million, including financial instruments that did not trade in active markets. These instruments are reported within the following accounts: financial assets and liabilities at fair value held for trading, derivative financial instruments, financial assets at fair value not held for trading, debt issued designated at fair value, and other financial liabilities designated at fair value. In determining the fair value of these financial instruments, the Group used valuation techniques, modelling assumptions, and estimates of unobservable market inputs which required significant management judgment.<br><br>Auditing management's judgments and assumptions used in the estimation of the fair value of these instruments was complex due to the highly judgmental nature of valuation techniques, key modelling assumptions and significant unobservable inputs. Auditing the valuation of complex or illiquid instruments at fair value included consideration of any incremental risks arising from the impact of the current economic environment on valuation techniques and inputs. The valuation techniques that required especially complex judgement were comprised of discounted cash flow and earnings-based valuation techniques. Highly judgmental modelling assumptions result from a range of different models or model calibrations used by market participants. Valuation inputs which were particularly complex and subjective included those with a limited degree of observability and the extrapolation, interpolation or calibration of curves using limited and proxy data points. Examples of such inputs included unobservable credit spreads and bond prices, volatility, and correlation. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over management's financial instruments valuation processes, including controls over market data inputs, model and methodology governance, and valuation adjustments.<br><br>We tested the valuation techniques, models and methodologies, and the inputs used in those models, as outlined above, by performing an independent revaluation of certain complex or illiquid financial assets and liabilities with the support of specialists, using independent models and inputs, and comparing inputs to available market data among other procedures. We also independently challenged key judgments in relation to a sample of fair value adjustments.<br><br>We also assessed management's disclosures regarding fair value measurement (within Notes 1 and 21 to the consolidated financial statements). |

***Recognition of deferred tax assets***

| | |
|---|---|
| *Description of the Matter* | At 31 December 2021, the Group's deferred tax assets ("DTA") were USD 8,876 million (see Note 8 to the consolidated financial statements). DTAs are recognized to the extent it is probable that taxable profits will be available, against which, the deductible temporary differences or the carryforward of unused tax losses within the loss carryforward period can be utilized. There is significant judgment exercised when estimating future taxable income that is not based on the reversal of taxable temporary differences. Management's estimate of future taxable profits is based on its strategic plan that is sensitive to the assumptions made in estimating future taxable income. |

Auditing management's assessment of the realizability of the Group's DTAs was complex due to the highly judgmental nature of estimating future taxable profits over the life of the underlying tax loss carryforwards. Estimating future profitability is inherently subjective as it is sensitive to future economic, market and other conditions, which are difficult to predict. Specifically, some of the more subjective key macro-economic assumptions used included gross domestic product growth rates, equity market performance, and interest rate expectations.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the data used for the estimations of future taxable income. This included recalculating the outputs of models applied to the recognition process for DTAs.

We involved specialists to assist in assessing the key economic assumptions embedded in the strategic plans. We compared key assumptions used to forecast future taxable income to externally available historical and prospective data and assumptions, and assessed the sensitivity of the outcomes using reasonably possible changes in assumptions.

We also assessed management's disclosure regarding recognized and unrecognized deferred tax assets (within Note 8 to the consolidated financial statements).

***Legal provisions & contingent liabilities***

*Description of the Matter*

At 31 December 2021, the Group's provisions for litigation, regulatory and similar matters (legal provisions) were USD 2,798 million. As explained in Note 18 to the consolidated financial statements, the Group operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcomes may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the legal provisions which have been established and contingent liabilities.

Auditing management's assessment of legal provisions and contingent liabilities was complex and judgmental due to the significant subjectivity involved in management's estimate of the amount and probability that an outflow of resources will be required for existing legal matters, including a material matter related to the cross-border wealth management business (Note 18b.1). In particular, these legal provisions are based on management's estimation of the amount and likelihood of the occurrence of certain scenarios.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operational effectiveness of management's controls over the legal provision and contingencies process. Our procedures included testing management's review of the accuracy of the inputs to the estimation of the amount and likelihood of the occurrence of certain scenarios.

Where appropriate, we assessed the methodologies on which the provision amounts were based with the involvement of specialists, recalculated the provisions and tested the underlying information. We inspected internal and external legal analyses of the matters supporting the judgmental aspects impacted by legal interpretations. We obtained correspondence directly from external legal counsel to assess the information provided by management and performed inquiries with external counsel as necessary.

We also assessed management's disclosure regarding legal provisions and contingent liabilities (within Note 18 to the consolidated financial statements).

***Expected credit losses***

*Description of the Matter*

At 31 December 2021, the Group's allowances and provisions for expected credit losses ("ECL") were USD 1,165 million. As explained in Notes 1, 9 and 20 to the consolidated financial statements, ECL is recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, fee and lease receivables, financial guarantees and irrevocable loan commitments. ECL is also recognized on the undrawn portion of revolving revocable credit lines, which include the Group's credit card limits and master credit facilities. The allowances and provisions for ECL consists of exposures that are in default which are individually evaluated for impairment (stage 3), as well as losses inherent in the loan portfolio that are not specifically identified (stage 1 and stage 2). Management's ECL estimates represent the difference between contractual cash flows and those the Group expects to receive, discounted at the effective interest rate. The method used to calculate ECL is based on a combination of the following principal factors: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

Auditing management's estimate of the allowances and provisions for ECL was complex due to the highly judgmental nature of forward-looking economic scenarios that form the basis of the ECL calculation, their probability weightings, and the credit risk models used to estimate stage 1 and stage 2 ECL. The COVID-19 pandemic also contributed to the complexity with its continuing impact on the economic environment in 2021. As a result, ECL estimation requires higher management judgement, specifically within the following two areas: (i) scenario selection, including assumptions about the scenario severity, the form and shape of the recovery pattern, and the number of scenarios necessary to sufficiently cover the bandwidth of potential outcomes, as well as related scenario weights and post-model adjustments; and, (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions.

Additionally, auditing the measurement of individual ECL for stage 3 was complex due to the high degree of judgment involved in management's process for estimating ECL based on assumptions. These assumptions take into account expected future cash flows from collateral and other credit enhancements or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the ECL estimate, including management's choice of forward-looking economic scenarios used to measure ECL and the probability weighting assigned to such scenarios. We evaluated management's methodologies and governance controls for developing and monitoring the economic scenarios used and the probability weightings assigned to them, and related post-model adjustment. Supported by specialists, we assessed the key macroeconomic variables used in the forward-looking scenarios, such as real gross domestic product growth, unemployment rate, interest rates and house price indices, and evaluated the modelled correlation and translation of those macroeconomic factors to the ECL estimate. We further assessed the appropriateness of the post-model adjustments by considering management's governance process, assumptions used and sensitivity analysis.

We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls over credit risk models used in the ECL estimate, including controls over the completeness and accuracy of model input data, calculation logic, and output data used in the overall ECL calculation. With the support of specialists, on a sample basis, we performed an evaluation of management's models and tested the model outcomes by inspecting model documentation, reperforming model calculations, and comparing data used as inputs to management's forecast to external sources, among other procedures.

For the measurement of stage 3, we obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process, including an evaluation of the assumptions used by management regarding the future cash flows from debtors' continuing operations and/or the liquidation of collateral. Supported by specialists in certain areas, we additionally tested collateral valuation, cash flow assumptions and exit strategies by performing inquiries of management, inspecting underlying documents, such as loan contracts, financial statements, covenants, budgets and business plans, and by re-performing discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosures regarding financial assets at amortized cost and other positions in scope of expected credit loss measurement (within Notes 1, 9 and 20 to the consolidated financial statements).

Ernst & Young Ltd

*Ernst & Young Ltd*

We have served as the Group's auditor since 1998.

Basel, Switzerland

4 March 2022

# UBS AG consolidated financial statements

## Primary financial statements and share information

Audited |

### Income statement

| | | For the year ended | | |
|---|---|---|---|---|
| *USD million* | Note | 31.12.21 | 31.12.20 | 31.12.19 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 8,534 | 8,816 | 10,703 |
| Interest expense from financial instruments measured at amortized cost | 3 | (3,366) | (4,333) | (7,303) |
| Net interest income from financial instruments measured at fair value through profit or loss | 3 | 1,437 | 1,305 | 1,015 |
| Net interest income | 3 | 6,605 | 5,788 | 4,415 |
| Other net income from financial instruments measured at fair value through profit or loss | 3 | 5,844 | 6,930 | 6,833 |
| Credit loss (expense) / release | 20 | 148 | (695) | (78) |
| Fee and commission income | 4 | 24,422 | 20,982 | 19,156 |
| Fee and commission expense | 4 | (1,985) | (1,775) | (1,696) |
| Net fee and commission income | 4 | 22,438 | 19,207 | 17,460 |
| Other income | 5 | 941 | 1,549 | 677 |
| Total operating income | | 35,976 | 32,780 | 29,307 |
| Personnel expenses | 6 | 15,661 | 14,686 | 13,801 |
| General and administrative expenses | 7 | 9,476 | 8,486 | 8,586 |
| Depreciation, amortization and impairment of non-financial assets | 12,13 | 1,875 | 1,909 | 1,751 |
| Total operating expenses | | 27,012 | 25,081 | 24,138 |
| Operating profit / (loss) before tax | | 8,964 | 7,699 | 5,169 |
| Tax expense / (benefit) | 8 | 1,903 | 1,488 | 1,198 |
| Net profit / (loss) | | 7,061 | 6,211 | 3,971 |
| Net profit / (loss) attributable to non-controlling interests | | 29 | 15 | 6 |
| Net profit / (loss) attributable to shareholders | | 7,032 | 6,196 | 3,965 |

## Statement of comprehensive income

| | | For the year ended | | |
|---|---|---|---|---|
| *USD million* | Note | 31.12.21 | 31.12.20 | 31.12.19 |
| **Comprehensive income attributable to shareholders** | | | | |
| Net profit / (loss) | | 7,032 | 6,196 | 3,965 |
| Other comprehensive income that may be reclassified to the income statement | | | | |
| Foreign currency translation | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | | (1,046) | 2,040 | 199 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | | 492 | (938) | (144) |
| Foreign currency translation differences on foreign operations reclassified to the income statement | | (1) | (7) | 52 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | | 10 | 2 | (14) |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | | 35 | (67) | (1) |
| Subtotal foreign currency translation, net of tax | | (510) | 1,030 | 92 |
| Financial assets measured at fair value through other comprehensive income | 11 | | | |
| Net unrealized gains / (losses), before tax | | (203) | 223 | 189 |
| Net realized gains / (losses) reclassified to the income statement from equity | | (9) | (40) | (31) |
| Income tax relating to net unrealized gains / (losses) | | 55 | (48) | (41) |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | | (157) | 136 | 117 |
| Cash flow hedges of interest rate risk | 26 | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | | (992) | 2,012 | 1,571 |
| Net (gains) / losses reclassified to the income statement from equity | | (1,073) | (770) | (175) |
| Income tax relating to cash flow hedges | | 390 | (231) | (253) |
| Subtotal cash flow hedges, net of tax | | (1,675)[1] | 1,011 | 1,143 |
| Cost of hedging | 26 | | | |
| Cost of hedging, before tax | | (32) | (13) | |
| Income tax relating to cost of hedging | | 6 | 0 | |
| Subtotal cost of hedging, net of tax | | (26) | (13) | |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | | (2,368) | 2,165 | 1,351 |
| Other comprehensive income that will not be reclassified to the income statement | | | | |
| Defined benefit plans | 27 | | | |
| Gains / (losses) on defined benefit plans, before tax | | 133 | (222) | (129) |
| Income tax relating to defined benefit plans | | (31) | 88 | (41) |
| Subtotal defined benefit plans, net of tax | | 102 | (134) | (170) |
| Own credit on financial liabilities designated at fair value | 21 | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | | 46 | (293) | (400) |
| Income tax relating to own credit on financial liabilities designated at fair value | | 0 | 0 | 8 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | | 46 | (293) | (392) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | 148 | (427) | (562) |
| Total other comprehensive income | | (2,220) | 1,738 | 789 |
| Total comprehensive income attributable to shareholders | | 4,813 | 7,934 | 4,754 |
| **Comprehensive income attributable to non-controlling interests** | | | | |
| Net profit / (loss) | | 29 | 15 | 6 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | (16) | 21 | (4) |
| Total comprehensive income attributable to non-controlling interests | | 13 | 36 | 2 |
| **Total comprehensive income** | | | | |
| Net profit / (loss) | | 7,061 | 6,211 | 3,971 |
| Other comprehensive income | | (2,235) | 1,759 | 785 |
| *of which: other comprehensive income that may be reclassified to the income statement* | | *(2,368)* | *2,165* | *1,351* |
| *of which: other comprehensive income that will not be reclassified to the income statement* | | *132* | *(406)* | *(566)* |
| Total comprehensive income | | 4,826 | 7,970 | 4,756 |

1 Mainly reflects the reclassification of net gains on hedging instruments from OCI to the income statement as the hedged forecast cash flows affected profit or loss and a decrease in net unrealized gains on US dollar hedging derivatives resulting from increases in the relevant long-term US dollar interest rates.

## Balance sheet

| USD million | Note | 31.12.21 | 31.12.20 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | 192,817 | 158,231 |
| Loans and advances to banks | 9 | 15,360 | 15,344 |
| Receivables from securities financing transactions | 9, 22 | 75,012 | 74,210 |
| Cash collateral receivables on derivative instruments | 9, 22 | 30,514 | 32,737 |
| Loans and advances to customers | 9 | 398,693 | 380,977 |
| Other financial assets measured at amortized cost | 9, 14a | 26,236 | 27,219 |
| Total financial assets measured at amortized cost | | 738,632 | 688,717 |
| Financial assets at fair value held for trading | 21 | 131,033 | 125,492 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | | *43,397* | *47,098* |
| Derivative financial instruments | 10, 21, 22 | 118,145 | 159,618 |
| Brokerage receivables | 21 | 21,839 | 24,659 |
| Financial assets at fair value not held for trading | 21 | 59,642 | 80,038 |
| Total financial assets measured at fair value through profit or loss | | 330,659 | 389,808 |
| Financial assets measured at fair value through other comprehensive income | 11, 21 | 8,844 | 8,258 |
| Investments in associates | 29b | 1,243 | 1,557 |
| Property, equipment and software | 12 | 11,712 | 11,958 |
| Goodwill and intangible assets | 13 | 6,378 | 6,480 |
| Deferred tax assets | 8 | 8,839 | 9,174 |
| Other non-financial assets | 14b | 9,836 | 9,374 |
| Total assets | | 1,116,145 | 1,125,327 |
| **Liabilities** | | | |
| Amounts due to banks | 15a | 13,101 | 11,050 |
| Payables from securities financing transactions | 22 | 5,533 | 6,321 |
| Cash collateral payables on derivative instruments | 22 | 31,801 | 37,313 |
| Customer deposits | 15a | 544,834 | 527,929 |
| Funding from UBS Group AG | 15b | 57,295 | 53,979 |
| Debt issued measured at amortized cost | 17 | 82,432 | 85,351 |
| Other financial liabilities measured at amortized cost | 19a | 9,765 | 10,421 |
| Total financial liabilities measured at amortized cost | | 744,762 | 732,364 |
| Financial liabilities at fair value held for trading | 21 | 31,688 | 33,595 |
| Derivative financial instruments | 10, 21, 22 | 121,309 | 161,102 |
| Brokerage payables designated at fair value | 21 | 44,045 | 38,742 |
| Debt issued designated at fair value | 16, 21 | 71,460 | 59,868 |
| Other financial liabilities designated at fair value | 19b, 21 | 32,414 | 31,773 |
| Total financial liabilities measured at fair value through profit or loss | | 300,916 | 325,080 |
| Provisions | 18a | 3,452 | 2,791 |
| Other non-financial liabilities | 19c | 8,572 | 7,018 |
| Total liabilities | | 1,057,702 | 1,067,254 |
| **Equity** | | | |
| Share capital | | 338 | 338 |
| Share premium | | 24,653 | 24,580 |
| Retained earnings | | 27,912 | 25,251 |
| Other comprehensive income recognized directly in equity, net of tax | | 5,200 | 7,585 |
| Equity attributable to shareholders | | 58,102 | 57,754 |
| Equity attributable to non-controlling interests | | 340 | 319 |
| Total equity | | 58,442 | 58,073 |
| Total liabilities and equity | | 1,116,145 | 1,125,327 |

## Statement of changes in equity

| *USD million* | Share capital | Share premium | Retained earnings |
|---|---|---|---|
| Balance as of 31 December 2018 | 338 | 24,655 | 23,285 |
| Effect of adoption of IFRIC 23 | | | (11) |
| Balance as of 1 January 2019 after the adoption of IFRIC 23 | 338 | 24,655 | 23,274 |
| Premium on shares issued and warrants exercised | | 0 | |
| Tax (expense) / benefit | | 11 | |
| Dividends | | | (3,250) |
| Translation effects recognized directly in retained earnings | | | (9) |
| New consolidations / (deconsolidations) and other increases / (decreases) | | (7) | |
| Total comprehensive income for the year | | | 3,403 |
| *of which: net profit / (loss)* | | | *3,965* |
| *of which: OCI, net of tax* | | | *(562)* |
| Balance as of 31 December 2019 | 338 | 24,659 | 23,419 |
| Premium on shares issued and warrants exercised | | (4)[2] | |
| Tax (expense) / benefit | | 1 | |
| Dividends | | | (3,848) |
| Translation effects recognized directly in retained earnings | | | (49) |
| Share of changes in retained earnings of associates and joint ventures | | | (40) |
| New consolidations / (deconsolidations) and other increases / (decreases)[3] | | (76) | |
| Total comprehensive income for the year | | | 5,769 |
| *of which: net profit / (loss)* | | | *6,196* |
| *of which: OCI, net of tax* | | | *(427)* |
| Balance as of 31 December 2020 | 338 | 24,580 | 25,251 |
| Premium on shares issued and warrants exercised | | (7)[2] | |
| Tax (expense) / benefit | | (102) | |
| Dividends | | | (4,539) |
| Translation effects recognized directly in retained earnings | | | 18 |
| Share of changes in retained earnings of associates and joint ventures | | | 1 |
| New consolidations / (deconsolidations) and other increases / (decreases)[4] | | 182 | |
| Total comprehensive income for the year | | | 7,180 |
| *of which: net profit / (loss)* | | | *7,032* |
| *of which: OCI, net of tax* | | | *148* |
| Balance as of 31 December 2021 | 338 | 24,653 | 27,912 |

1 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. 2 Includes decreases related to recharges by UBS Group AG for share-based compensation awards granted to employees of UBS AG or its subsidiaries. 3 Mainly relates to the establishment of a banking partnership with Banco do Brasil. In 2020, UBS AG issued a 49.99% stake in UBS Brasil Serviços in exchange for exclusive access to Banco do Brasil's corporate clients. Upon completion of the transaction in 2020, equity attributable to non-controlling interests increased by USD 115 million, with no material effect on equity attributable to shareholders. 4 Includes the effects related to the launch of UBS AG's new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. Refer to Note 30 for more information.

| Other comprehensive income recognized directly in equity, net of tax[1] | *of which: foreign currency translation* | *of which: financial assets at fair value through OCI* | *of which: cash flow hedges* | *of which: cost of hedging* | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| 3,946 | *3,940* | *(103)* | *109* | | 52,224 | 176 | 52,400 |
| | | | | | (11) | | (11) |
| 3,946 | *3,940* | *(103)* | *109* | | 52,213 | 176 | 52,389 |
| | | | | | 0 | | 0 |
| | | | | | 11 | | 11 |
| | | | | | (3,250) | (8) | (3,258) |
| 9 | | *0* | *9* | | 0 | | 0 |
| | | | | | (7) | 5 | (3) |
| 1,351 | *92* | *117* | *1,143* | | 4,754 | 2 | 4,756 |
| | | | | | *3,965* | *6* | *3,971* |
| *1,351* | *92* | *117* | *1,143* | | *789* | *(4)* | *785* |
| 5,306 | *4,032* | *14* | *1,260* | | 53,722 | 174 | 53,896 |
| | | | | | (4) | | (4) |
| | | | | | 1 | | 1 |
| | | | | | (3,848) | (6) | (3,854) |
| 49 | | *0* | *49* | | 0 | | 0 |
| | | | | | (40) | | (40) |
| 65 | *65* | | | | (12) | 115 | 103 |
| 2,165 | *1,030* | *136* | *1,011* | *(13)* | 7,934 | 36 | 7,970 |
| | | | | | *6,196* | *15* | *6,211* |
| *2,165* | *1,030* | *136* | *1,011* | *(13)* | *1,738* | *21* | *1,759* |
| 7,585 | *5,126* | *151* | *2,321* | *(13)* | 57,754 | 319 | 58,073 |
| | | | | | (7) | | (7) |
| | | | | | (102) | | (102) |
| | | | | | (4,539) | (4) | (4,542) |
| (18) | | *0* | *(18)* | *0* | 0 | | 0 |
| | | | | | 1 | | 1 |
| | | | | | 182 | 12 | 193 |
| (2,368) | *(510)* | *(157)* | *(1,675)* | *(26)* | 4,813 | 13 | 4,826 |
| | | | | | *7,032* | *29* | *7,061* |
| *(2,368)* | *(510)* | *(157)* | *(1,675)* | *(26)* | *(2,220)* | *(16)* | *(2,235)* |
| 5,200 | *4,617* | *(7)* | *628* | *(39)* | 58,102 | 340 | 58,442 |

## Share information and earnings per share

### Ordinary share capital

As of 31 December 2021, UBS AG had 3,858,408,466 issued shares (31 December 2020: 3,858,408,466 shares) with a nominal value of CHF 0.10 each, leading to a share capital of CHF 385,840,846.60. The shares were entirely held by UBS Group AG.

### Conditional share capital

As of 31 December 2021, the following conditional share capital was available to UBS AG's Board of Directors (BoD):
– A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the Annual General Meeting of UBS AG on 14 April 2010. The BoD has not made use of such allowance.

### Authorized share capital

UBS AG had no authorized capital available to issue on 31 December 2021.

### Earnings per share

In 2015, UBS AG shares were delisted from the SIX Swiss Exchange and the New York Stock Exchange. As of 31 December 2021, 100% of UBS AG's issued shares were held by UBS Group AG and therefore were not publicly traded. Accordingly, earnings per share information is not provided for UBS AG.

## Statement of cash flows

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Cash flow from / (used in) operating activities** | | | |
| Net profit / (loss) | 7,061 | 6,211 | 3,971 |
| Non-cash items included in net profit and other adjustments: | | | |
| Depreciation, amortization and impairment of non-financial assets | 1,875 | 1,909 | 1,751 |
| Credit loss expense / (release) | (148) | 695 | 78 |
| Share of net profits of associates and joint ventures and impairment related to associates | (105) | (84) | (45) |
| Deferred tax expense / (benefit) | 432 | 355 | 460 |
| Net loss / (gain) from investing activities | (230) | (698) | 220 |
| Net loss / (gain) from financing activities | 100 | 3,246 | 6,506 |
| Other net adjustments | 3,790 | (8,061) | 862 |
| Net change in operating assets and liabilities: | | | |
| Loans and advances to banks and amounts due to banks | 2,148 | 3,586 | (4,336) |
| Securities financing transactions | (2,316) | 9,588 | 8,678 |
| Cash collateral on derivative instruments | (3,311) | (3,486) | 2,842 |
| Loans and advances to customers | (26,943) | (33,897) | (3,205) |
| Customer deposits | 29,349 | 52,831 | 23,399 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | (10,635) | 11,326 | (18,873) |
| Brokerage receivables and payables | 8,115 | (5,199) | (2,347) |
| Financial assets at fair value not held for trading and other financial assets and liabilities | 19,793 | 392 | 126 |
| Provisions and other non-financial assets and liabilities | 2,617 | (1,213) | (537) |
| Income taxes paid, net of refunds | (1,026) | (919) | (741) |
| Net cash flow from / (used in) operating activities | 30,563 | 36,581 | 18,805 |
| **Cash flow from / (used in) investing activities** | | | |
| Purchase of subsidiaries, associates and intangible assets | (1) | (46) | (26) |
| Disposal of subsidiaries, associates and intangible assets[1] | 593 | 674 | 114 |
| Purchase of property, equipment and software | (1,581) | (1,573) | (1,401) |
| Disposal of property, equipment and software | 295 | 364 | 11 |
| Purchase of financial assets measured at fair value through other comprehensive income | (5,802) | (6,290) | (3,424) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 5,052 | 4,530 | 3,913 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (415) | (4,166) | (562) |
| Net cash flow from / (used in) investing activities | (1,860) | (6,506) | (1,374) |

Table continues on the next page.

## Statement of cash flows (continued)

Table continued from previous page.

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| **Cash flow from / (used in) financing activities** | | | |
| Net short-term debt issued / (repaid) | (3,093) | 23,845 | (17,149) |
| Distributions paid on UBS AG shares | (4,539) | (3,848) | (3,250) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost[2] | 98,619 | 80,153 | 65,047 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost[2] | (79,799) | (87,099) | (68,883) |
| Net cash flows from other financing activities | (261) | (553) | (504) |
| Net cash flow from / (used in) financing activities | 10,927 | 12,498 | (24,738) |
| **Total cash flow** | | | |
| Cash and cash equivalents at the beginning of the year | 173,430 | 119,804 | 125,853 |
| Net cash flow from / (used in) operating, investing and financing activities | 39,630 | 42,573 | (7,307) |
| Effects of exchange rate differences on cash and cash equivalents | (5,306) | 11,053 | 1,258 |
| Cash and cash equivalents at the end of the year[3] | 207,755 | 173,430 | 119,804 |
| *of which: cash and balances at central banks[4]* | *192,706* | *158,088* | *106,957* |
| *of which: loans and advances to banks* | *13,822* | *13,928* | *11,317* |
| *of which: money market paper[5]* | *1,227* | *1,415* | *1,530* |
| **Additional information** | | | |
| Net cash flow from / (used in) operating activities includes: | | | |
| Interest received in cash | 11,170 | 11,929 | 15,344 |
| Interest paid in cash | 4,802 | 6,414 | 10,800 |
| Dividends on equity investments, investment funds and associates received in cash[6] | 2,531 | 1,901 | 3,145 |

1 Includes cash proceeds from the sale of UBS AG's investment in Clearstream Fund Centre AG (previously Fondcenter AG). UBS AG's majority stake was sold in 2020 and the remaining minority investment was sold in the second quarter of 2021. Refer to Note 30 for more information. Also includes dividends received from associates. 2 Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). 3 USD 3,408 million, USD 3,828 million and USD 3,192 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 December 2021, 31 December 2020 and 31 December 2019, respectively. Refer to Note 23 for more information. 4 Includes only balances with an original maturity of three months or less. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost. 6 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

## Changes in liabilities arising from financing activities

| *USD million* | Debt issued measured at amortized cost | *of which: short-term*[1] | *of which: long-term*[2] | Debt issued designated at fair value | Over-the-counter (OTC) debt instruments[3] | Funding from UBS Group AG[4] | Total |
|---|---|---|---|---|---|---|---|
| Balance as of 1 January 2020 | 62,835 | 21,837 | 40,998 | 66,592 | 2,022 | 48,083 | 179,531 |
| Cash flows | 18,722 | *23,845* | *(5,123)* | (6,423) | (6) | 4,606 | 16,899 |
| Non-cash changes | 3,794 | *984* | *2,810* | (301) | 44 | 2,666 | 6,203 |
| *of which: foreign currency translation* | *3,589* | *984* | *2,605* | *1,760* | *82* | *1,395* | *6,825* |
| *of which: fair value changes* | | | | *(2,061)* | *(38)* | *152* | *(1,946)* |
| *of which: hedge accounting and other effects* | *205* | | *205* | | | *1,119* | *1,324* |
| Balance as of 31 December 2020 | 85,351 | *46,666* | *38,685* | 59,868 | 2,060 | 55,354 | 202,633 |
| Cash flows | (550) | *(3,093)* | *2,543* | 9,075 | 126 | 7,076 | 15,727 |
| Non-cash changes | (2,369) | *(475)* | *(1,894)* | 2,516 | (58) | (2,795) | (2,705) |
| *of which: foreign currency translation* | *(1,841)* | *(475)* | *(1,366)* | *(1,611)* | *(65)* | *(1,340)* | *(4,857)* |
| *of which: fair value changes* | | | | *4,127* | *7* | *(30)* | *4,104* |
| *of which: hedge accounting and other effects* | *(528)* | | *(528)* | | | *(1,425)* | *(1,953)* |
| Balance as of 31 December 2021 | 82,432 | 43,098 | 39,334 | 71,460 | 2,128 | 59,635 | 215,655 |

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Included in balance sheet line Other financial liabilities designated at fair value. 4 Includes funding from UBS Group AG measured at amortized cost (refer to Note 15b) and measured at fair value (refer to Note 19b).

# Notes to the UBS AG consolidated financial statements

## Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

## a) Material accounting policies

This Note describes the material accounting policies applied in the preparation of the consolidated financial statements (the Financial Statements) of UBS AG and its subsidiaries (UBS AG). On 24 February 2022, the Financial Statements were authorized for issue by the Board of Directors.

### Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD).

Disclosures marked as audited in the "Risk, capital, liquidity and funding, and balance sheet" section of this report form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, and are not repeated in this section.

The accounting policies described in this Note have been applied consistently in all years presented unless otherwise stated in Note 1b.

**Critical accounting estimates and judgments**

Preparation of these Financial Statements under IFRS requires management to apply judgment and make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities, and may involve significant uncertainty at the time they are made. Such estimates and assumptions are based on the best available information. UBS AG regularly reassesses such estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, updating them as necessary. Changes in those estimates and assumptions may have a significant effect on the Financial Statements. Furthermore, actual results may differ significantly from UBS AG's estimates, which could result in significant losses to UBS AG, beyond what was anticipated or provided for.

The following areas contain estimation uncertainty or require critical judgment and have a significant effect on amounts recognized in the Financial Statements:

– expected credit loss measurement (refer to item 2g in this Note and to Note 20);
– fair value measurement (refer to item 2f in this Note and to Note 21);
– income taxes (refer to item 6 in this Note and to Note 8);
– provisions and contingent liabilities (refer to item 9 in this Note and to Note 18);
– post-employment benefit plans (refer to item 5 in this Note and to Note 27);
– goodwill (refer to item 8 in this Note and to Note 13); and
– consolidation of structured entities (refer to item 1 in this Note and to Note 29).

### 1) Consolidation

The Financial Statements comprise the financial statements of UBS AG and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS AG consolidates all entities that it controls, including structured entities (SEs), which is the case when it has: (i) power over the relevant activities of the entity; (ii) exposure to an entity's variable returns; and (iii) the ability to use its power to affect its own returns.

Consideration is given to all facts and circumstances to determine whether UBS AG has power over another entity, i.e., the current ability to direct the relevant activities of an entity when decisions about those activities need to be made.

Subsidiaries, including SEs, are consolidated from the date when control is gained and deconsolidated from the date when control ceases. Control, or the lack thereof, is reassessed if facts and circumstances indicate that there is a change to one or more elements required to establish that control is present.

Business combinations are accounted for using the acquisition method. The amount of any non-controlling interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

› **Refer to Note 29 for more information**

**Critical accounting estimates and judgments**

Each individual entity is assessed for consolidation in line with the aforementioned consolidation principles. The assessment of control can be complex and requires the use of significant judgment, in particular in determining whether UBS AG has power over the entity. As the nature and extent of UBS AG's involvement is unique for each entity, there is no uniform consolidation outcome by entity. Certain entities within a class may be consolidated while others may not. When carrying out the consolidation assessment, judgment is exercised considering all the relevant facts and circumstances, including the nature and activities of the investee, as well as the substance of voting and similar rights.

› **Refer to Note 29 for more information**

**Note 1 Summary of material accounting policies (continued)**

## 2) Financial instruments

### a. Recognition
UBS AG recognizes financial instruments when it becomes a party to contractual provisions of an instrument. UBS AG applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments.

In transactions where UBS AG acts as a transferee, to the extent the financial asset transfer does not qualify for derecognition by the transferor, UBS AG does not recognize the transferred instrument as its asset.

UBS AG also acts in a fiduciary capacity, which results in it holding or placing assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Unless these items meet the definition of an asset and the recognition criteria are satisfied, they are not recognized on UBS AG's balance sheet and the related income is excluded from the Financial Statements.

Client cash balances associated with derivatives clearing and execution services are not recognized on the balance sheet if, through contractual agreement, regulation or practice, UBS AG neither obtains benefits from nor controls such cash balances.

### b. Classification, measurement and presentation

*Financial assets*

All financial instruments are on initial recognition measured at fair value and classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For financial instruments subsequently measured at amortized cost or FVOCI, the initial fair value is adjusted for directly attributable transaction costs.

Where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows, or at FVOCI if it is held within a business model with the objective being achieved by both collecting contractual cash flows and selling financial assets.

All other financial assets are measured at FVTPL, including those held for trading or those managed on a fair value basis, except for derivatives designated in a hedge relationship, in which case hedge accounting requirements apply (refer to item 2j in this Note for more information).

*Business model assessment and contractual cash flow characteristics*

UBS AG determines the nature of a business model by considering the way financial assets are managed to achieve a particular business objective.

In assessing whether contractual cash flows are SPPI, UBS AG considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument.

*Financial liabilities*

*Financial liabilities measured at amortized cost*

Financial liabilities measured at amortized cost include *Debt issued measured at amortized cost* and *Funding from UBS Group AG*, which constitute obligations of UBS AG arising from funding it has received from UBS Group AG, which are not within the UBS AG scope of consolidation. The latter includes contingent capital instruments issued to UBS Group AG containing contractual provisions under which the principal amounts would be written down or converted into equity upon either a specified common equity tier 1 (CET1) ratio breach or a determination by the Swiss Financial Market Supervisory Authority (FINMA) that a viability event has occurred. Such contractual provisions are not derivatives, as the underlying is deemed to be a non-financial variable specific to a party to the contract.

If a debt were to be written down or converted into equity in a future period, it would be partially or fully derecognized, with the difference between its carrying amount and the fair value of any equity issued recognized in the income statement.

A gain or loss is recognized in *Other income* when debt issued is subsequently repurchased for market-making or other activities. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

*Financial liabilities measured at fair value through profit or loss*

UBS AG designates certain issued debt instruments as financial liabilities at fair value through profit or loss, on the basis that such financial instruments include embedded derivatives and / or are managed on a fair value basis (refer to the table below for more information), in which case bifurcation of the embedded derivative component is not required. Financial instruments including embedded derivatives arise predominantly from the issuance of certain structured debt instruments.

*Measurement and presentation*

After initial recognition, UBS AG classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9, as described in the table on the following pages.

## Note 1 Summary of material accounting policies (continued)

### Classification, measurement and presentation of financial assets

| Financial assets classification | | Significant items included | Measurement and presentation |
|---|---|---|---|
| **Measured at amortized cost** | | This classification includes:<br>– cash and balances at central banks;<br>– loans and advances to banks;<br>– receivables from securities financing transactions;<br>– cash collateral receivables on derivative instruments;<br>– residential and commercial mortgages;<br>– corporate loans;<br>– secured loans, including Lombard loans, and unsecured loans;<br>– loans to financial advisors; and<br>– debt securities held as high-quality liquid assets (HQLA). | Measured at amortized cost using the effective interest method less allowances for expected credit losses (ECL) (refer to items 2d and 2g in this Note for more information).<br><br>The following items are recognized in the income statement:<br>– interest income, which is accounted for in accordance with item 2d in this Note;<br>– ECL and reversals; and<br>– foreign exchange (FX) translation gains and losses.<br><br>When a financial asset at amortized cost is derecognized, the gain or loss is recognized in the income statement.<br><br>For amounts arising from settlement of certain derivatives, refer to the next page. |
| **Measured at FVOCI** | Debt instruments measured at FVOCI | This classification primarily includes debt securities and certain asset-backed securities held as HQLA. | Measured at fair value, with unrealized gains and losses reported in *Other comprehensive income,* net of applicable income taxes, until such investments are derecognized. Upon derecognition, any accumulated balances in *Other comprehensive income* are reclassified to the income statement and reported within *Other income*.<br><br>The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:<br>– interest income, which is accounted for in accordance with item 2d in this Note;<br>– ECL and reversals; and<br>– FX translation gains and losses. |

## Note 1 Summary of material accounting policies (continued)

**Classification, measurement and presentation of financial assets**

<table>
<tr><th colspan="2">Financial assets classification</th><th>Significant items included</th><th>Measurement and presentation</th></tr>
<tr><td rowspan="2">Measured at FVTPL</td><td>Held for trading</td><td>Financial assets held for trading include:<br>– all derivatives with a positive replacement value, except those that are designated and effective hedging instruments; and<br>– other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included in this category are debt instruments (including those in the form of securities, money market paper, and traded corporate and bank loans) and equity instruments.</td><td rowspan="2">Measured at fair value, with changes recognized in the income statement.<br><br>Derivative assets (including derivatives that are designated and effective hedging instruments) are generally presented as Derivative financial instruments, except those exchange-traded (ETD) and over-the-counter (OTC)-cleared derivatives that are legally settled on a daily basis or in substance net settled on a daily basis, which are presented within Cash collateral receivables on derivative instruments.<br><br>Changes in fair value, initial transaction costs, dividends and gains and losses arising on disposal or redemption are recognized in Other net income from financial instruments measured at fair value through profit or loss, except interest income on instruments other than derivatives (refer to item 2d in this Note), interest on derivatives designated as hedging instruments in hedges of interest rate risk and forward points on certain short- and long-duration FX contracts acting as economic hedges, which are reported in Net interest income.<br><br>Changes in the fair value of derivatives that are designated and effective hedging instruments are presented either in the income statement or Other comprehensive income, depending on the type of hedge relationship (refer to item 2j in this Note for more information).</td></tr>
<tr><td>Mandatorily measured at FVTPL – Other</td><td>This classification includes financial assets mandatorily measured at FVTPL that are not held for trading, as follows:<br>– certain structured loans, certain commercial loans, and receivables from securities financing transactions are managed on a fair value basis;<br>– loans managed on a fair value basis, including those hedged with credit derivatives;<br>– certain debt securities held as HQLA and managed on a fair value basis;<br>– certain investment fund holdings and assets held to hedge delivery obligations related to cash-settled employee compensation plans;<br>– brokerage receivables, for which contractual cash flows do not meet the SPPI criterion because the aggregate balance is accounted for as a single unit of account, with interest being calculated on the individual components;<br>– auction rate securities, for which contractual cash flows do not meet the SPPI criterion because interest may be reset at rates that contain leverage;<br>– equity instruments; and<br>– assets held under unit-linked investment contracts.</td></tr>
</table>

## Note 1 Summary of material accounting policies (continued)

**Classification, measurement and presentation of financial liabilities**

<table>
<tr><th colspan="2">Financial liabilities classification</th><th>Significant items included</th><th>Measurement and presentation</th></tr>
<tr><td colspan="2">Measured at amortized cost</td><td>This classification includes:<br>– demand and time deposits;<br>– retail savings / deposits;<br>– payables from securities financing transactions;<br>– non-structured fixed-rate bonds;<br>– subordinated debt;<br>– certificates of deposit and covered bonds;<br>– obligations against funding from UBS Group AG; and<br>– cash collateral payables on derivative instruments.</td><td>Measured at amortized cost using the effective interest method.<br><br>When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.</td></tr>
<tr><td rowspan="2">Measured at fair value through profit or loss</td><td>Held for trading</td><td>Financial liabilities held for trading include:<br>– all derivatives with a negative replacement value (including certain loan commitments), except those that are designated and effective hedging instruments; and<br>– obligations to deliver financial instruments, such as debt and equity instruments, that UBS AG has sold to third parties but does not own (short positions).</td><td rowspan="2">Measurement and presentation of financial liabilities classified at FVTPL follow the same principles as for financial assets classified at FVTPL, except that the amount of change in the fair value of a financial liability designated at FVTPL that is attributable to changes in UBS AG's own credit risk is presented in Other comprehensive income directly within Retained earnings and is never reclassified to the income statement.<br><br>Derivative liabilities (including derivatives that are designated and effective hedging instruments) are generally presented as Derivative financial instruments, except those exchange-traded and OTC-cleared derivatives that are legally settled on a daily basis or in substance net settled on a daily basis, which are presented within Cash collateral payables on derivative instruments.</td></tr>
<tr><td>Designated at FVTPL</td><td>UBS AG designates at FVTPL the following financial liabilities:<br>– issued hybrid debt instruments that primarily include equity-linked, credit-linked and rates-linked bonds or notes;<br>– issued debt instruments managed on a fair value basis;<br>– certain payables from securities financing transactions;<br>– amounts due under unit-linked investment contracts the cash flows of which are linked to financial assets measured at FVTPL and eliminate an accounting mismatch; and<br>– brokerage payables, which arise in conjunction with brokerage receivables and are measured at FVTPL to achieve measurement consistency.</td></tr>
</table>

**Note 1 Summary of material accounting policies (continued)**

c. Loan commitments and financial guarantees

Loan commitments are arrangements to provide credit under defined terms and conditions. Irrevocable loan commitments are classified as: (i) derivative loan commitments measured at fair value through profit or loss; (ii) loan commitments designated at fair value through profit or loss; or (iii) loan commitments not measured at fair value. Financial guarantee contracts are contracts that require UBS AG to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument.

d. Interest income and expense

Interest income and expense are recognized in the income statement based on the effective interest method. When calculating the effective interest rate (the EIR) for financial instruments (other than credit-impaired financial instruments), UBS AG estimates future cash flows considering all contractual terms of the instrument, but not expected credit losses, with the EIR applied to the gross carrying amount of the financial asset or the amortized cost of a financial liability. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

Upfront fees, including fees on loan commitments not measured at fair value where a loan is expected to be issued, and direct costs are included within the initial measurement of a financial instrument measured at amortized cost or FVOCI and recognized over the expected life of the instrument as part of its EIR.

Fees related to loan commitments where no loan is expected to be issued, as well as loan syndication fees where UBS AG does not retain a portion of the syndicated loan or where UBS AG does retain a portion of the syndicated loan at the same effective yield for comparable risk as other participants, are included in *Net fee and commission income* and either recognized over the life of the commitment or when syndication occurs.

› **Refer to item 3 in this Note for more information**

Interest income on financial assets, excluding derivatives, is included in interest income when positive and in interest expense when negative. Similarly, interest expense on financial liabilities, excluding derivatives, is included in interest expense, except when interest rates are negative, in which case it is included in interest income.

› **Refer to item 2b in this Note and Note 3 for more information**

e. Derecognition

*Financial assets*

UBS AG derecognizes a transferred financial asset, or a portion of a financial asset, if the purchaser has received substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset.

Where financial assets have been pledged as collateral or in similar arrangements, they are considered to have been transferred if the counterparty has received the contractual rights to the cash flows of the pledged assets, as may be evidenced by, for example, the counterparty's right to sell or repledge the assets. In transfers where control over the financial asset is retained, UBS AG continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset following the transfer.

Certain OTC derivative contracts and most exchange-traded futures and option contracts cleared through central clearing counterparties and exchanges are considered to be settled on a daily basis, as the payment or receipt of variation margin on a daily basis represents legal or economic settlement, which results in derecognition of the associated derivatives.

› **Refer to Note 22 and Note 23 for more information**

*Financial liabilities*

UBS AG derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is exchanged for a new one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability recognized with any difference in the respective carrying amounts recognized in the income statement.

f. Fair value of financial instruments

UBS AG accounts for a significant portion of its assets and liabilities at fair value. Fair value is the price on the measurement date that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market in the absence of a principal market.

› **Refer to Note 21 for more information**

**Critical accounting estimates and judgments**

The use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in the fair valuation of financial instruments requires significant judgment and could affect the amount of gain or loss recorded for a particular position. Valuation techniques that rely more heavily on unobservable inputs and sophisticated models inherently require a higher level of judgment and may require adjustment to reflect factors that market participants would consider in estimating fair value, such as close-out costs, which are presented in Note 21d.

UBS AG's governance framework over fair value measurement is described in Note 21b, and UBS AG provides a sensitivity analysis of the estimated effects arising from changing significant unobservable inputs in Level 3 financial instruments to reasonably possible alternative assumptions in Note 21g.

› **Refer to Note 21 for more information**

## g. Allowances and provisions for expected credit losses

ECL are recognized for financial assets measured at amortized cost, financial assets measured at FVOCI, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS AG's credit card limits and master credit facilities, as UBS AG is exposed to credit risk because the borrower has the ability to draw down funds before UBS AG can take credit risk mitigation actions.

### *Recognition of expected credit losses*

ECL are recognized on the following basis:

- Stage 1 instruments: Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- Stage 2 instruments: Lifetime ECL are recognized if a significant increase in credit risk (an SICR) is observed subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. When an SICR is no longer observed, the instrument will move back to stage 1.
- Stage 3 instruments: Lifetime ECL are always recognized for credit-impaired financial instruments, as determined by the occurrence of one or more loss events, by estimating expected cash flows based on a chosen recovery strategy. Credit-impaired exposures may include positions for which no allowance has been recognized, for example because they are expected to be fully recoverable through collateral held.
- Changes in lifetime ECL since initial recognition are also recognized for assets that are purchased or originated credit-impaired (POCI). POCI financial instruments include those that are purchased at a deep discount or newly originated with a defaulted counterparty; they remain a separate category until derecognition.

All or part of a financial asset is written off if it is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against related allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to *Credit loss (expense) / release*.

ECL are recognized in the income statement in *Credit loss (expense) / release*. A corresponding ECL allowance is reported as a decrease in the carrying amount of financial assets measured at amortized cost on the balance sheet. For financial assets that are measured at FVOCI, the carrying amount is not reduced, but an accumulated amount is recognized in *Other comprehensive income*. For off-balance sheet financial instruments and other credit lines, provisions for ECL are presented in *Provisions*.

### *Default and credit impairment*

UBS AG applies a single definition of default for credit risk management purposes, regulatory reporting and ECL, with a counterparty classified as defaulted based on quantitative and qualitative criteria.

› **Refer to "Credit policies for distressed assets" in the "Risk management and control" section of this report for more information**

### *Measurement of expected credit losses*

IFRS 9 ECL reflect an unbiased, probability-weighted estimate based on loss expectations resulting from default events. The method used to calculate ECL applies the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Parameters are generally determined on an individual financial asset level. Based on the materiality of the portfolio, for credit card exposures and personal account overdrafts in Switzerland, a portfolio approach is applied that derives an average PD and LGD for the entire portfolio. PDs and LGDs used in the ECL calculation are point-in-time (PIT)-based for key portfolios and consider both current conditions and expected cyclical changes. For material portfolios, PDs and LGDs are determined for different scenarios, whereas EAD projections are treated as scenario independent.

For the purpose of determining the ECL-relevant parameters, UBS AG leverages its Pillar 1 internal ratings-based (IRB) models that are also used in determining expected loss (EL) and risk-weighted assets under the Basel III framework and Pillar 2 stress loss models. Adjustments have been made to these models and IFRS 9-related models have been developed that consider the complexity, structure and risk profile of relevant portfolios and take account of the fact that PDs and LGDs used in the ECL calculation are PIT-based, as opposed to the corresponding Basel III through-the-cycle (TTC) parameters. All models that are relevant for measuring expected credit losses are subject to UBS AG's model validation and oversight processes.

**Note 1 Summary of material accounting policies (continued)**

*Probability of default:* PD represents the probability of a default over a specified time period. A 12-month PD represents the probability of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. PIT PDs are derived from TTC PDs and scenario forecasts. The modeling is region-, industry- and client segment-specific and considers both macroeconomic scenario dependencies and client-idiosyncratic information.

*Exposure at default:* EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring, considering expected repayments, interest payments and accruals, discounted at the EIR. Future drawdowns on facilities are considered through a credit conversion factor (a CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

*Loss given default:* LGD represents an estimate of the loss at the time of a potential default occurring, taking into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is commonly expressed as a percentage of EAD.

*Estimation of expected credit losses*

*Number of scenarios and estimation of scenario weights*

Determination of probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions, especially with a view to modeling the non-linear effect of assumptions about macroeconomic factors on the estimate.

To accommodate this requirement, UBS AG uses different economic scenarios in the ECL calculation. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. The estimation of the appropriate weights for these scenarios is predominantly judgement-based. The assessment is based on a holistic review of the prevailing economic or political conditions, which may exhibit different levels of uncertainty. It takes into account the impact of changes in the nature and severity of the underlying scenario narratives and the projected economic variables.

The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur and not that the chosen particular narratives with the related macroeconomic variables will materialize.

*Macroeconomic and other factors*

The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases, requiring an increase in judgment. For cycle-sensitive PD and LGD determination purposes, UBS AG projects the relevant economic factors for a period of three years before reverting, over a specified period, to cycle-neutral PD and LGD for longer-term projections.

Factors relevant for ECL calculation vary by type of exposure. Regional and client-segment characteristics are generally taken into account, with specific focus on Switzerland and the US, considering UBS AG's key ECL-relevant portfolios.

For UBS AG, the following forward-looking macroeconomic variables represent the most relevant factors for ECL calculation:

– GDP growth rates, given their significant effect on borrowers' performance;
– unemployment rates, given their significant effect on private clients' ability to meet contractual obligations;
– house price indices, given their significant effect on mortgage collateral valuations;
– interest rates, given their significant effect on counterparties' abilities to service debt;
– consumer price indices, given their overall relevance for companies' performance, private clients' purchasing power and economic stability; and
– equity indices, given that they are an important factor in our corporate rating tools.

*Scenario generation, review process and governance*

A team of economists, who are part of Group Risk Control, develop the forward-looking macroeconomic assumptions with involvement from a broad range of experts.

The scenarios, their weight and the key macroeconomic and other factors are subject to a critical assessment by the IFRS 9 Scenario Sounding Sessions and ECL Management Forum, which include senior management from Group Risk and Group Finance. Important aspects for the review include whether there may be particular credit risk concerns that may not be capable of being addressed systematically and require post-model adjustments for stage allocation and ECL allowance.

The Group Model Governance Committee, as the highest authority under UBS AG's model governance framework, ratifies the decisions taken by the ECL Management Forum.

› **Refer to Note 20 for more information**

*ECL measurement period*

The period for which lifetime ECL are determined is based on the maximum contractual period that UBS AG is exposed to credit risk, taking into account contractual extension, termination and prepayment options. For irrevocable loan commitments and financial guarantee contracts, the measurement period represents the maximum contractual period for which UBS AG has an obligation to extend credit.

Additionally, some financial instruments include both an on-demand loan and a revocable undrawn commitment, where the contractual cancellation right does not limit UBS AG's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS AG can take risk-mitigating actions. In such cases UBS AG is required to estimate the period over which it is exposed to credit risk. This applies to UBS AG's credit card limits, which do not have a defined contractual maturity date, are callable on demand and where the drawn and undrawn components are managed as one exposure. The exposure arising from UBS AG's credit card limits is not significant and is managed at a portfolio level, with credit actions triggered when balances are past due. An ECL measurement period of seven years is applied for credit card limits, capped at 12 months for stage 1 balances, as a proxy for the period that UBS AG is exposed to credit risk.

Customary master credit agreements in the Swiss corporate market also include on-demand loans and revocable undrawn commitments. For smaller commercial facilities, a risk-based monitoring (RbM) approach is in place that highlights negative trends as risk events, at an individual facility level, based on a combination of continuously updated risk indicators. The risk events trigger additional credit reviews by a risk officer, enabling informed credit decisions to be taken. Larger corporate facilities are not subject to RbM, but are reviewed at least annually through a formal credit review. UBS AG has assessed these credit risk management practices and considers both the RbM approach and formal credit reviews as substantive credit reviews resulting in a re-origination of the given facility. Following this, a 12-month measurement period from the reporting date is used for both types of facilities as an appropriate proxy of the period over which UBS AG is exposed to credit risk, with 12 months also used as a look-back period for assessing SICR, always from the respective reporting date.

*Significant increase in credit risk*

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a maximum 12-month ECL continues to be appropriate, an assessment is made as to whether an SICR has occurred since initial recognition of the financial instrument, applying both quantitative and qualitative factors.

Primarily, UBS AG assesses changes in an instrument's risk of default on a quantitative basis by comparing the annualized forward-looking and scenario-weighted lifetime PD of an instrument determined at two different dates:
– at the reporting date; and
– at inception of the instrument.

If, based on UBS AG's quantitative modeling, an increase exceeds a set threshold, an SICR is deemed to have occurred and the instrument is transferred to stage 2 with lifetime ECL recognized.

The threshold applied varies depending on the original credit quality of the borrower, with a higher SICR threshold set for those instruments with a low PD at inception. The SICR assessment based on PD changes is made at an individual financial asset level. A high-level overview of the SICR trigger, which is a multiple of the annualized remaining lifetime PIT PD expressed in rating downgrades, is provided in the "SICR thresholds" table below. The actual SICR thresholds applied are defined on a more granular level by interpolating between the values shown in the table.

**SICR thresholds**

| Internal rating at origination of the instrument | Rating downgrades / SICR trigger |
|---|---|
| 0–3 | 3 |
| 4–8 | 2 |
| 9–13 | 1 |

› **Refer to the "Risk management and control" section of this report for more details about UBS AG's internal grading system**

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased for an instrument if the contractual payments are more than 30 days past due. For certain less material portfolios, specifically the Swiss credit card portfolio, the 30-day past due criterion is used as the primary indicator of an SICR. Where instruments are transferred to stage 2 due to the 30-day past due criterion, a minimum period of six months is applied before a transfer back to stage 1 can be triggered. For instruments in Personal & Corporate Banking and Global Wealth Management Region Switzerland that are between 90 and 180 days past due but have not been reclassified to stage 3, a one-year period is applied before a transfer back to stage 1 can be triggered.

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for an SICR. Exception management is further applied, allowing for individual and collective adjustments on exposures sharing the same credit risk characteristics to take account of specific situations that are not otherwise fully reflected.

In general, the overall SICR determination process does not apply to Lombard loans, securities financing transactions and certain other asset-based lending transactions, because of the risk management practices adopted, including daily monitoring processes with strict margining. If margin calls are not satisfied, a position is closed out and classified as a stage 3 position. In exceptional cases, an individual adjustment and a transfer into stage 2 may be made to take account of specific facts.

**Note 1 Summary of material accounting policies (continued)**

Credit risk officers are responsible for the identification of an SICR, which for accounting purposes is in some respects different from internal credit risk management processes. This difference mainly arises because ECL accounting requirements are instrument-specific, such that a borrower can have multiple exposures allocated to different stages, and maturing loans in stage 2 will migrate to stage 1 upon renewal irrespective of the actual credit risk at that time. Under a risk-based approach, a holistic counterparty credit assessment and the absolute level of risk at any given date will determine what risk-mitigating actions may be warranted.

› **Refer to the "Risk management and control" section of this report for more information**

**Critical accounting estimates and judgments**

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that can result in significant changes to the timing and amount of ECL recognized.

*Determination of a significant increase in credit risk*
IFRS 9 does not include a definition of what constitutes an SICR, with UBS AG's assessment considering qualitative and quantitative criteria. An IFRS 9 ECL Management Forum has been established to review and challenge the SICR results.

*Scenarios, scenario weights and macroeconomic variables*
ECL reflect an unbiased and probability-weighted amount, which UBS AG determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios that include relevant macroeconomic variables and management's assumptions around future economic conditions. IFRS 9 Scenario Sounding Sessions, in addition to the IFRS 9 ECL Management Forum, are in place to derive, review and challenge the scenario selection and weights, and to determine whether any additional post-model adjustments are required that may significantly affect ECL.

*ECL measurement period*
Lifetime ECL are generally determined based upon the contractual maturity of the transaction, which significantly affects ECL. For credit card limits and Swiss callable master credit facilities, judgment is required, as UBS AG must determine the period over which it is exposed to credit risk. A seven-year period is applied for credit card limits, capped at 12 months for stage 1 positions, and a 12-month period applied for master credit facilities.

*Modeling and post-model adjustments*
A number of complex models have been developed or modified to calculate ECL, with additional post-model adjustments required which may significantly affect ECL. The models are governed by UBS AG's model validation controls and approved by the Group Model Governance Committee (the GMGC). The post-model adjustments are approved by the ECL Management Forum and endorsed by the GMGC.

A sensitivity analysis covering key macroeconomic variables, scenario weights and SICR trigger points on ECL measurement is provided in Note 20f.

› **Refer to Note 20 for more information**

### h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS AG may grant concessions to borrowers in financial difficulties that it would not consider in the normal course of its business, such as preferential interest rates, extension of maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc. When a concession or forbearance measure is granted, each case is considered individually and the exposure is generally classified as being in default. Forbearance classification will remain until the loan is collected or written off, non-preferential conditions superseding preferential conditions are granted or until the counterparty has recovered and the preferential conditions no longer exceed UBS AG's risk tolerance.

Modifications result in an alteration of future contractual cash flows and can occur within UBS AG's normal risk tolerance or as part of a credit restructuring where a counterparty is in financial difficulties. The restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying amount of the given financial asset is recognized in the income statement as a modification gain or loss.

### i. Offsetting

UBS AG presents financial assets and liabilities on its balance sheet net if (i) it has a legally enforceable right to set off the recognized amounts and (ii) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Netted positions include, for example, certain derivatives and repurchase and reverse repurchase transactions with various counterparties, exchanges and clearing houses.

In assessing whether UBS AG intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously, emphasis is placed on the effectiveness of operational settlement mechanics in eliminating substantially all credit and liquidity exposure between the counterparties. This condition precludes offsetting on the balance sheet for substantial amounts of UBS AG's financial assets and liabilities, even though they may be subject to enforceable netting arrangements. Repurchase arrangements and securities financing transactions are presented net only to the extent that the settlement mechanism eliminates, or results in insignificant, credit and liquidity risk, and processes the receivables and payables in a single settlement process or cycle.

› **Refer to Note 22 for more information**

### j. Hedge accounting

UBS AG applies hedge accounting requirements of IFRS 9, unless stated otherwise below, where the criteria for documentation and hedge effectiveness are met. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Voluntary discontinuation of hedge accounting is permitted under IAS 39 but not under IFRS 9.

*Fair value hedges of interest rate risk related to debt instruments and loan assets*

The fair value change of the hedged item attributable to a hedged risk is reflected as an adjustment to the carrying amount of the hedged item, and recognized in the income statement along with the change in the fair value of the hedging instrument.

*Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39*

Prior to discontinuation in December 2021, the fair value change of the hedged item attributable to a hedged risk is reflected within *Other financial assets measured at amortized cost* or *Other financial liabilities measured at amortized cost* and recognized in the income statement along with the change in the fair value of the hedging instrument.

*Fair value hedges of FX risk related to debt instruments*

The fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation and accounted for as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item.

*Discontinuation of fair value hedges*

Discontinuations for reasons other than derecognition of the hedged item result in an adjustment to the carrying amount, which is amortized to the income statement over the remaining life of the hedged item using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment or deferred cost of hedging amount is recognized immediately in the income statement as part of any derecognition gain or loss.

*Cash flow hedges of forecast transactions*

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity* and reclassified to the income statement in the periods when the hedged forecast cash flows affect profit or loss, including discontinued hedges for which forecast cash flows are expected to occur. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

*Hedges of net investments in foreign operations*

Gains or losses on the hedging instrument relating to the effective portion of a hedge are recognized directly in *Other comprehensive income* within *Equity,* while any gains or losses relating to the ineffective and / or undesignated portion (for example, the interest element of a forward contract) are recognized in the income statement. Upon disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized in *Equity* associated with the entity is reclassified to *Other income*.

*Interest Rate Benchmark Reform*

UBS AG can continue hedge accounting during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. During this period, UBS AG can assume that the current benchmark rates will continue to exist, such that forecast transactions are considered highly probable and hedge relationships remain, with little or no consequential impact on the financial statements. Upon replacement of existing interest rate benchmarks by alternative risk-free interest rates expected in 2021 and beyond, UBS AG will apply the requirements of *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2).*

› **Refer to Note 1b for more information**

## 3) Fee and commission income and expenses

UBS AG earns fee income from the diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as management of clients' assets, custody services and certain advisory services; and fees earned from point-in-time services, such as underwriting fees, deal-contingent merger and acquisitions fees, and brokerage fees (e.g., securities and derivatives execution and clearing). UBS AG recognizes fees earned from point-in-time-services when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement.

Consideration received is allocated to the separately identifiable performance obligations in a contract. Owing to the nature of UBS AG's business, contracts that include multiple performance obligations are typically those that are considered to include a series of similar performance obligations fulfilled over time with the same pattern of transfer to the client, e.g., management of client assets and custodial services. As a consequence, UBS AG is not required to apply significant judgment in allocating the consideration received across the various performance obligations.

**Note 1 Summary of material accounting policies (continued)**

Point-in-time services are generally for a fixed price or dependent on deal size, e.g., a fixed number of basis points of trade size, where the amount of revenue is known when the performance obligation is met. Fixed over-time fees are recognized on a straight-line basis over the performance period. Custodial and asset management fees can be variable through reference to the size of the customer portfolio. However, they are generally billed on a monthly or quarterly basis once the customer's portfolio size is known or known with near certainty and therefore also recognized ratably over the performance period. UBS AG does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS AG's control until such uncertainties are resolved.

UBS AG's fees are generally earned from short-term contracts. As a result, UBS AG's contracts do not include a financing component or result in the recognition of significant receivables or prepayment assets. Furthermore, due to the short-term nature of such contracts, UBS AG has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS AG presents expenses primarily in line with their nature in the income statement, differentiating between expenses that are directly attributable to the satisfaction of specific performance obligations associated with the generation of revenues, which are generally presented within *Total operating income* as *Fee and commission expense*, and those that are related to personnel, general and administrative expenses, which are presented within *Total operating expenses*. For derivatives execution and clearing services (where UBS AG acts as an agent), UBS AG only records its specific fees in the income statement, with fees payable to other parties not recognized as an expense but instead directly offset against the associated income collected from the given client.

› **Refer to Note 4 for more information, including the disaggregation of revenues**

## 4) Share-based and other deferred compensation plans

UBS AG recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, for example in the case of employees affected by restructuring programs or mutually agreed termination provisions, recognition of such expense is accelerated to the termination date. Where no future service is required, such as for employees who are eligible for retirement or who have met certain age and length-of-service criteria, the services are presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle awards, immediately on the grant date.

### Share-based compensation plans

UBS Group AG is the grantor of and maintains the obligation to settle share-based compensation plans that are awarded to employees of UBS AG. As a consequence, UBS AG classifies the awards of UBS Group AG shares as equity-settled share-based payment transactions. UBS AG recognizes the fair value of awards granted to its employees by reference to the fair value of UBS Group AG's equity instruments on the date of grant, taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions.

For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions.

For equity-settled awards, forfeiture events resulting from a breach of a non-vesting condition (i.e., one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense.

For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

### Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

› **Refer to Note 28 for more information**

## 5) Post-employment benefit plans

### Defined benefit plans

Defined benefit plans specify an amount of benefit that an employee will receive, which usually depends on one or more factors, such as age, years of service and compensation. The defined benefit liability recognized in the balance sheet is the present value of the defined benefit obligation, measured using the projected unit credit method, less the fair value of the plan's assets at the balance sheet date, with changes resulting from remeasurements recorded immediately in *Other comprehensive income*. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Calculation of the net defined benefit obligation or asset takes into account the specific features of each plan, including risk sharing between employee and employer, and is calculated periodically by independent qualified actuaries.

**Critical accounting estimates and judgments**

The net defined benefit liability or asset at the balance sheet date and the related personnel expense depend on the expected future benefits to be provided, determined using a number of economic and demographic assumptions. A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit liability or asset and pension expense recognized. The most significant assumptions include life expectancy, discount rate, expected salary increases, pension increases and interest credits on retirement savings account balances. Sensitivity analysis for reasonable possible movements in each significant assumption for UBS AG's post-employment obligations is provided in Note 27.

› **Refer to Note 27 for more information**

### Defined contribution plans

A defined contribution plan pays fixed contributions into a separate entity from which post-employment and other benefits are paid. UBS AG has no legal or constructive obligation to pay further amounts if the plan does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. Compensation expense is recognized when the employees have rendered services in exchange for contributions. This is generally in the year of contribution. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

## 6) Income taxes

UBS AG is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS AG has business operations.

UBS AG's provision for income taxes is composed of current and deferred taxes. Current income taxes represent taxes to be paid or refunded for the current period or previous periods.

Deferred taxes are recognized for temporary differences between the carrying amounts and tax bases of assets and liabilities that will result in taxable or deductible amounts in future periods and are measured using the applicable tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and that will be in effect when such differences are expected to reverse.

Deferred tax assets arise from a variety of sources, the most significant being: (i) tax losses that can be carried forward to be used against profits in future years; and (ii) temporary differences that will result in deductions against profits in future years. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable profits will be available against which these differences can be used. When an entity or tax group has a history of recent losses, deferred tax assets are only recognized to the extent there are sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the balance sheet that reflect the expectation that certain items will give rise to taxable income in future periods.

Deferred and current tax assets and liabilities are offset when: (i) they arise in the same tax reporting group; (ii) they relate to the same tax authority; (iii) the legal right to offset exists; and (iv) they are intended to be settled net or realized simultaneously.

Current and deferred taxes are recognized as income tax benefit or expense in the income statement, except for current and deferred taxes recognized in relation to: (i) the acquisition of a subsidiary (for which such amounts would affect the amount of goodwill arising from the acquisition); (ii) gains and losses on the sale of treasury shares (for which the tax effects are recognized directly in *Equity*); (iii) unrealized gains or losses on financial instruments that are classified at FVOCI; (iv) changes in fair value of derivative instruments designated as cash flow hedges; (v) remeasurements of defined benefit plans; or (vi) certain foreign currency translations of foreign operations. Amounts relating to points (iii) through (vi) above are recognized in *Other comprehensive income* within *Equity*.

UBS AG reflects the potential effect of uncertain tax positions for which acceptance by the relevant tax authority is not considered probable by adjusting current or deferred taxes, as applicable, using either the most likely amount or expected value methods, depending on which method is deemed a better predictor of the basis on which, and extent to which, the uncertainty will be resolved.

**Note 1 Summary of material accounting policies (continued)**

**Critical accounting estimates and judgments**

Tax laws are complex, and judgment and interpretations about the application of such laws are required when accounting for income taxes. UBS AG considers the performance of its businesses and the accuracy of historical forecasts and other factors when evaluating the recoverability of its deferred tax assets, including the remaining tax loss carry-forward period, and its assessment of expected future taxable profits in the forecast period used for recognizing deferred tax assets. Estimating future profitability and business plan forecasts is inherently subjective and is particularly sensitive to future economic, market and other conditions.

Forecasts are reviewed annually, but adjustments may be made at other times, if required. If recent losses have been incurred, convincing evidence is required to prove there is sufficient future profitability given the value of UBS AG's deferred tax assets may be affected, with effects primarily recognized through the income statement.

In addition, judgment is required to assess the expected value of uncertain tax positions and the related probabilities, including interpretation of tax laws, the resolution of any income tax-related appeals and litigation.

› **Refer to Note 8 for more information**

## 7) Property, equipment and software

Property, equipment and software is measured at cost less accumulated depreciation and impairment losses. Software development costs are capitalized only when the costs can be measured reliably and it is probable that future economic benefits will arise. Depreciation of property, equipment and software begins when they are available for use and is calculated on a straight line basis over an asset's estimated useful life.

Property, equipment and software are generally tested for impairment at the appropriate cash-generating unit level, alongside goodwill and intangible assets as described in item 8 in this Note. An impairment charge is recognized for such assets if the recoverable amount is below its carrying amount. The recoverable amounts of such assets, other than property that has a market price, are generally determined using a replacement cost approach that reflects the amount that would be currently required by a market participant to replace the service capacity of the asset. If such assets are no longer used, they are tested individually for impairment.

› **Refer to Note 12 for more information**

## 8) Goodwill

Goodwill represents the excess of the consideration over the fair value of identifiable assets, liabilities and contingent liabilities acquired that arises in a business combination. Goodwill is not amortized, but is assessed for impairment at the end of each reporting period, or when indicators of impairment exist. UBS AG tests goodwill for impairment annually, irrespective of whether there is any indication of impairment.

An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount.

**Critical accounting estimates and judgments**

UBS AG's methodology for goodwill impairment testing is based on a model that is most sensitive to the following key assumptions: (i) forecasts of earnings available to shareholders in years one to three; (ii) changes in the discount rates; and (iii) changes in the long-term growth rate.

Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors. The discount rates and growth rates are determined using external information, and also considering inputs from both internal and external analysts and the view of management.

The key assumptions used to determine the recoverable amounts of each cash-generating unit are tested for sensitivity by applying reasonably possible changes to those assumptions.

› **Refer to Notes 2 and 13 for more information**

## 9) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount, and are generally recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, when: (i) UBS AG has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

The majority of UBS AG's provisions relate to litigation, regulatory and similar matters, restructuring, and employee benefits. Restructuring provisions are generally recognized as a consequence of management agreeing to materially change the scope of the business or the manner in which it is conducted, including changes in management structures. Provisions for employee benefits relate mainly to service anniversaries and sabbatical leave, and are recognized in accordance with measurement principles set out in item 4 in this Note. In addition, UBS AG presents expected credit loss allowances within *Provisions* if they relate to a loan commitment, financial guarantee contract or a revolving revocable credit line.

IAS 37 provisions are measured considering the best estimate of the consideration required to settle the present obligation at the balance sheet date.

When conditions required to recognize a provision are not met, a contingent liability is disclosed, unless the likelihood of an outflow of resources is remote. Contingent liabilities are also disclosed for possible obligations that arise from past events the existence of which will be confirmed only by uncertain future events not wholly within the control of UBS AG.

**Critical accounting estimates and judgments**

Recognition of provisions often involves significant judgment in assessing the existence of an obligation that results from past events and in estimating the probability, timing and amount of any outflows of resources. This is particularly the case for litigation, regulatory and similar matters, which, due to their nature, are subject to many uncertainties, making their outcome difficult to predict.

The amount of any provision recognized is sensitive to the assumptions used and there could be a wide range of possible outcomes for any particular matter.

Management regularly reviews all the available information regarding such matters, including legal advice, to assess whether the recognition criteria for provisions have been satisfied and to determine the timing and amount of any potential outflows.

› **Refer to Note 18 for more information**

## 10) Foreign currency translation

Transactions denominated in a foreign currency are translated into the functional currency of the reporting entity at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets, including those at FVOCI, and monetary liabilities denominated in foreign currency are translated into the functional currency using the closing exchange rate. Translation differences are reported in *Other net income from financial instruments measured at fair value through profit or loss*.

Non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction.

Upon consolidation, assets and liabilities of foreign operations are translated into US dollars, UBS AG's presentation currency, at the closing exchange rate on the balance sheet date, and income and expense items and other comprehensive income are translated at the average rate for the period. The resulting foreign currency translation differences are recognized in *Equity* and reclassified to the income statement when UBS AG disposes of, partially or in its entirety, the foreign operation and UBS AG no longer controls the foreign operation.

Share capital issued, share premium and treasury shares held are translated at the historic average rate, with the difference between the historic average rate and the spot rate realized upon repayment of share capital or disposal of treasury shares reported as *Share premium*. Cumulative amounts recognized in *Other comprehensive income* in respect of cash flow hedges and financial assets measured at FVOCI are translated at the closing exchange rate as of the balance sheet dates, with any translation effects adjusted through *Retained earnings*.

› **Refer to Note 33 for more information**

## 11) Net cash settlement contracts

Contracts involving UBS Group AG shares that require net cash settlement, or provide the counterparty or UBS AG with a settlement option that includes a choice of settling net in cash, are classified as derivatives held for trading.

**Note 1 Summary of material accounting policies (continued)**

## b) Changes in accounting policies, comparability and other adjustments

### Amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*

Effective from 1 January 2021, UBS AG early adopted amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*, issued by IASB in February 2021. The disclosure of material accounting policies in Note 1a has been refined through adopting these amendments.

### Amendments to IAS 39, IFRS 9 and IFRS 7 (*Interest Rate Benchmark Reform – Phase 2*)

On 1 January 2021, UBS adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced. The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates (ARRs) to be accounted for prospectively by updating a given instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. UBS AG has adopted the amendments, which had no material effect on UBS AG's financial statements.

The amendments also provide various hedge accounting reliefs, with the following adopted by UBS AG:

- Designate an ARR as a non-contractually specified risk component, even if it is not separately identifiable at the date when it was designated, provided UBS AG can reasonably expect that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. As of 31 December 2021, the principal ARRs that UBS AG has designated as the hedged risk in fair value hedges of interest rate risk related to debt instruments, mortgages and cash flow hedges of forecast transactions were the Secured Overnight Financing Rate (SOFR), the Swiss Average Rate Overnight (SARON) and the Sterling Overnight Index Average (SONIA).
- Amend hedge documentation for the fair value hedges of interest rate risk related to debt instruments for which the hedged risk changed due to IBOR reform, which allowed UBS AG to continue the hedge relationship in accordance with the requirements of the phase 2 amendment.
- The cash flow hedges of IBOR forecast transactions in Swiss francs and pounds sterling were discontinued and replaced with new ARR designations in December 2021. The amount accumulated in the cash flow hedge reserve is deemed to be based on the ARR on which the hedged future cash flows will be based. Amounts will be released to the income statement when the forecast ARR cash flows affect the income statement or are no longer expected to occur.

› **Refer to Note 26 for more information**

The amendments also introduced additional disclosure requirements regarding UBS AG's management of the transition to alternative benchmark rates, its progress as at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

› **Refer to Note 25 for more information**

## c) International Financial Reporting Standards and Interpretations to be adopted in 2022 and later and other changes

### IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. UBS AG is assessing the standard, but does not expect it to have a material effect on UBS AG's financial statements.

## Note 2a Segment reporting

UBS AG's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions, the four business divisions reflect the management structure of UBS AG.

- **Global Wealth Management** provides financial services, advice and solutions to private clients, in particular in the ultra high net worth and high net worth segments. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. The business division is managed globally across the regions.
- **Personal & Corporate Banking** serves its private, corporate, and institutional clients' needs, from basic banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- **Asset Management** is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients globally.
- The **Investment Bank** provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offering includes advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.
- **Group Functions** is made up of the following major areas: Group Services (which consists of Technology, Corporate Services, Human Resources, Finance, Legal, Risk Control, Compliance, Regulatory & Governance, Communications & Branding and Group Sustainability and Impact), Group Treasury and Non-core and Legacy Portfolio.

Financial information about the four business divisions and Group Functions is presented separately in internal management reports to the Executive Board, which is considered the "chief operating decision maker" pursuant to IFRS 8, *Operating Segments*.

UBS AG's internal accounting policies, which include management accounting policies and service level agreements, determine the revenues and expenses directly attributable to each reportable segment. Transactions between the reportable segments are carried out at internally agreed rates and are reflected in the operating results of the reportable segments. Revenue-sharing agreements are used to allocate external client revenues to reportable segments where several reportable segments are involved in the value creation chain. Total intersegment revenues for UBS AG are immaterial, as the majority of the revenues are allocated across the segments by means of revenue-sharing agreements. Interest income earned from managing UBS AG's consolidated equity is allocated to the reportable segments based on average attributed equity and currency composition. Assets and liabilities of the reportable segments are funded through and invested with Group Functions, and the net interest margin is reflected in the results of each reportable segment.

Segment assets are based on a third-party view and do not include intercompany balances. This view is in line with internal reporting to management. If one operating segment is involved in an external transaction together with another operating segment or Group Functions, additional criteria are considered to determine the segment that will report the associated assets. This will include a consideration of which segment's business needs are being addressed by the transaction and which segment is providing the funding and / or resources. Allocation of liabilities follows the same principles.

Non-current assets disclosed for segment reporting purposes represent assets that are expected to be recovered more than 12 months after the reporting date, excluding financial instruments, deferred tax assets and post-employment benefits.

## Note 2a Segment reporting (continued)

| USD million | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | | | |
| Net interest income | 4,244 | 2,120 | (15) | 481 | (226) | 6,605 |
| Non-interest income | 15,175 | 2,144 | 2,632 | 8,978 | 294 | 29,222 |
| Income | 19,419 | 4,264 | 2,617 | 9,459 | 68 | 35,828 |
| Credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| Total operating income | 19,449 | 4,350 | 2,616 | 9,493 | 68 | 35,976 |
| Total operating expenses | 14,743 | 2,623 | 1,593 | 6,902 | 1,151 | 27,012 |
| Operating profit / (loss) before tax | 4,706 | 1,726 | 1,023 | 2,592 | (1,083) | 8,964 |
| Tax expense / (benefit) | | | | | | 1,903 |
| Net profit / (loss) | | | | | | 7,061 |
| Additional information | | | | | | |
| Total assets | 395,235 | 225,425 | 25,202 | 346,641 | 123,641 | 1,116,145 |
| Additions to non-current assets | 56 | 16 | 1 | 30 | 1,689 | 1,791 |

| USD million | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | | | |
| Net interest income | 4,027 | 2,049 | (17) | 284 | (555) | 5,788 |
| Non-interest income[1] | 13,107 | 1,859 | 2,993 | 9,224 | 504 | 27,686 |
| Income | 17,134 | 3,908 | 2,975 | 9,508 | (52) | 33,474 |
| Credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (695) |
| Total operating income | 17,046 | 3,651 | 2,974 | 9,203 | (94) | 32,780 |
| Total operating expenses | 13,080 | 2,390 | 1,520 | 6,762 | 1,329 | 25,081 |
| Operating profit / (loss) before tax | 3,965 | 1,261 | 1,454 | 2,441 | (1,423) | 7,699 |
| Tax expense / (benefit) | | | | | | 1,488 |
| Net profit / (loss) | | | | | | 6,211 |
| Additional information | | | | | | |
| Total assets | 367,714 | 231,710 | 28,266 | 369,778 | 127,858 | 1,125,327 |
| Additions to non-current assets | 5 | 12 | 385 | 150 | 1,971 | 2,524 |

| USD million | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2019** | | | | | | |
| Net interest income | 3,947 | 1,993 | (25) | (669) | (831) | 4,415 |
| Non-interest income | 12,426 | 1,745 | 1,962 | 7,967 | 869 | 24,970 |
| Income | 16,373 | 3,737 | 1,938 | 7,298 | 38 | 29,385 |
| Credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |
| Total operating income | 16,353 | 3,717 | 1,938 | 7,268 | 31 | 29,307 |
| Total operating expenses | 13,018 | 2,274 | 1,407 | 6,515 | 925 | 24,138 |
| Operating profit / (loss) before tax | 3,335 | 1,443 | 531 | 753 | (893) | 5,169 |
| Tax expense / (benefit) | | | | | | 1,198 |
| Net profit / (loss) | | | | | | 3,971 |
| Additional information | | | | | | |
| Total assets | 309,766 | 209,512 | 34,565 | 316,058 | 102,028 | 971,927 |
| Additions to non-current assets | 68 | 10 | 0 | 1 | 4,935 | 5,014 |

1 Includes a USD 631 million net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG), of which USD 571 million was recognized in Asset Management and USD 60 million was recognized in Global Wealth Management.

## Note 2b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of UBS AG. The allocation of operating income to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the given client and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio in Group Functions, are managed at a Group level. These revenues are included in the *Global* line.

The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

**For the year ended 31 December 2021**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 14.5 | 40 | 9.0 | 47 |
| *of which: USA* | *13.5* | *38* | *8.5* | *44* |
| Asia Pacific | 6.5 | 18 | 1.4 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 19 | 2.6 | 13 |
| Switzerland | 7.9 | 22 | 6.3 | 33 |
| Global | 0.1 | 0 | 0.0 | 0 |
| Total | 36.0 | 100 | 19.3 | 100 |

**For the year ended 31 December 2020**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 13.0 | 40 | 9.0 | 45 |
| *of which: USA* | *11.7* | *36* | *8.4* | *42* |
| Asia Pacific | 6.0 | 18 | 1.4 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 6.5 | 20 | 2.7 | 14 |
| Switzerland | 6.9 | 21 | 6.9 | 34 |
| Global | 0.5 | 2 | 0.0 | 0 |
| Total | 32.8 | 100 | 20.0 | 100 |

**For the year ended 31 December 2019**

| | Total operating income | | Total non-current assets | |
|---|---|---|---|---|
| | USD billion | Share % | USD billion | Share % |
| Americas | 12.0 | 41 | 8.9 | 46 |
| *of which: USA* | *10.9* | *37* | *8.5* | *44* |
| Asia Pacific | 4.7 | 16 | 1.3 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 5.8 | 20 | 2.6 | 13 |
| Switzerland | 6.7 | 23 | 6.5 | 34 |
| Global | 0.1 | 0 | 0.0 | 0 |
| Total | 29.3 | 100 | 19.3 | 100 |

# Income statement notes

## Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,437 | 1,305 | 1,015 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,844 | 6,930 | 6,833 |
| *of which: net gains / (losses) from financial liabilities designated at fair value[1]* | *(6,457)* | *1,625* | *(8,748)* |
| Total net income from financial instruments measured at fair value through profit or loss | 7,281 | 8,235 | 7,848 |
| **Net interest income** | | | |
| Interest income from loans and deposits[2] | 6,489 | 6,696 | 8,026 |
| Interest income from securities financing transactions[3] | 513 | 862 | 2,005 |
| Interest income from other financial instruments measured at amortized cost | 284 | 335 | 364 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 115 | 101 | 120 |
| Interest income from derivative instruments designated as cash flow hedges | 1,133 | 822 | 188 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 8,534 | 8,816 | 10,703 |
| Interest expense on loans and deposits[4] | 1,655 | 2,440 | 4,541 |
| Interest expense on securities financing transactions[5] | 1,102 | 870 | 1,152 |
| Interest expense on debt issued | 512 | 918 | 1,491 |
| Interest expense on lease liabilities | 98 | 105 | 118 |
| Total interest expense from financial instruments measured at amortized cost | 3,366 | 4,333 | 7,303 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,168 | 4,483 | 3,400 |
| Total net interest income from financial instruments measured at fair value through profit or loss | 1,437 | 1,305 | 1,015 |
| Total net interest income | 6,605 | 5,788 | 4,415 |

1 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Other net income from financial instruments measured at fair value through profit or loss. 2021 included net losses of USD 2,068 million (net losses of USD 72 million and USD 1,830 million in 2020 and 2019, respectively), driven by financial liabilities related to unit-linked investment contracts, which are designated at fair value through profit or loss. This was offset by net gains of USD 2,068 million (net gains of USD 72 million and USD 1,830 million in 2020 and 2019, respectively), related to financial assets for unit-linked investment contracts that are mandatorily measured at fair value through profit or loss not held for trading. 2 Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 3 Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. 4 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, customer deposits, and funding from UBS Group AG, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. 5 Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions.

## Note 4 Net fee and commission income

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Fee and commission income | | | |
| Underwriting fees | 1,512 | 1,104 | 784 |
| M&A and corporate finance fees | 1,102 | 736 | 774 |
| Brokerage fees | 4,383 | 4,132 | 3,248 |
| Investment fund fees | 5,790 | 5,289 | 4,859 |
| Portfolio management and related services | 9,762 | 8,009 | 7,656 |
| Other | 1,874 | 1,712 | 1,836 |
| Total fee and commission income[1] | 24,422 | 20,982 | 19,156 |
| *of which: recurring* | *15,410* | *13,010* | *12,545* |
| *of which: transaction-based* | *8,743* | *7,512* | *6,449* |
| *of which: performance-based* | *269* | *461* | *163* |
| Fee and commission expense | | | |
| Brokerage fees paid | 259 | 274 | 310 |
| Distribution fees paid | 611 | 589 | 590 |
| Other | 1,115 | 911 | 796 |
| Total fee and commission expense | 1,985 | 1,775 | 1,696 |
| Net fee and commission income | 22,438 | 19,207 | 17,460 |
| *of which: net brokerage fees* | *4,124* | *3,858* | *2,938* |

1 For the year ended 31 December 2021, reflects third-party fee and commission income of USD 14,545 million for Global Wealth Management, USD 1,645 million for Personal & Corporate Banking, USD 3,337 million for Asset Management, USD 4,863 million for the Investment Bank and USD 33 million for Group Functions (for the year ended 31 December 2020: USD 12,475 million for Global Wealth Management, USD 1,427 million for Personal & Corporate Banking, USD 3,129 million for Asset Management, USD 3,901 million for the Investment Bank and USD 50 million for Group Functions; for the year ended 31 December 2019: USD 11,694 million for Global Wealth Management, USD 1,307 million for Personal & Corporate Banking, USD 2,659 million for Asset Management, USD 3,397 million for the Investment Bank and USD 98 million for Group Functions).

## Note 5 Other income

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Associates, joint ventures and subsidiaries | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries[1] | (11) | 635[2] | (36) |
| Net gains / (losses) from disposals of investments in associates | 41 | 0 | 4 |
| Share of net profits of associates and joint ventures | 105 | 84 | 46 |
| Impairments related to associates | 0 | 0 | (1) |
| Total | 134 | 719 | 13 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | 9 | 40 | 31 |
| Income from properties[3] | 22 | 25 | 27 |
| Net gains / (losses) from properties held for sale | 100[4] | 76[5] | (19) |
| Income from shared services provided to UBS Group AG or its subsidiaries | 451 | 422 | 464 |
| Other | 224[6] | 267[7] | 161 |
| Total other income | 941 | 1,549 | 677 |

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. 2 Includes a USD 631 million net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG). 3 Includes rent received from third parties. 4 Mainly relates to the sale of a property in Basel. 5 Includes net gains of USD 140 million arising from sale-and-leaseback transactions, primarily related to a property in Geneva, partly offset by remeasurement losses relating to properties that were reclassified as held for sale. 6 Includes a gain of USD 100 million from the sale of UBS AG's domestic wealth management business in Austria. Refer to Note 30 for more information. 7 Includes a USD 215 million gain on the sale of intellectual property rights associated with the Bloomberg Commodity Index family.

## Note 6 Personnel expenses

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Salaries[1] | 5,723 | 5,535 | 5,183 |
| Variable compensation – performance awards[2] | 2,916 | 2,953[3] | 2,545 |
| Variable compensation – other[2] | 196 | 201 | 225 |
| Financial advisor compensation[2,4] | 4,860 | 4,091 | 4,043 |
| Contractors | 142 | 138 | 147 |
| Social security | 762 | 704[3] | 627 |
| Post-employment benefit plans[5] | 582[6] | 597 | 569 |
| *of which: defined benefit plans* | *280* | *306* | *291* |
| *of which: defined contribution plans* | *303* | *291* | *278* |
| Other personnel expenses | 479 | 466[3] | 461 |
| Total personnel expenses | 15,661 | 14,686 | 13,801 |

1 Includes role-based allowances. 2 Refer to Note 28 for more information. 3 During 2020, UBS AG modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 270 million, of which USD 240 million is disclosed within Variable compensation – performance awards, USD 20 million within Social security and USD 10 million within Other personnel expenses. 4 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 5 Refer to Note 27 for more information. 6 Includes curtailment gains of USD 49 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

## Note 7 General and administrative expenses[1]

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Outsourcing costs | 426 | 466 | 551 |
| IT expenses | 490 | 449 | 448 |
| Consulting, legal and audit fees | 465 | 566 | 753 |
| Real estate and logistics costs | 530 | 563 | 559 |
| Market data services | *367* | *361* | *364* |
| Marketing and communication | *171* | *162* | *191* |
| Travel and entertainment | 66 | 77 | 272 |
| Litigation, regulatory and similar matters[2] | 910 | 197 | 165 |
| Other | 6,051 | 5,646 | 5,283 |
| *of which: shared services costs charged by UBS Group AG or its subsidiaries* | *5,321* | *4,939* | *4,621* |
| *of which: UK and German bank levies[3]* | *58* | *55* | *41* |
| Total general and administrative expenses | 9,476 | 8,486 | 8,586 |

1 In 2021, UBS AG changed the presentation of the line items within general and administrative expenses. Prior-period information reflects the new presentation structure, with no effect on Total general and administrative expenses. 2 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 18 for more information. Also, includes recoveries from third parties of USD 1 million in 2021 (USD 3 million and USD 11 million in 2020 and 2019, respectively). 3 UK bank levy expenses of USD 22 million (USD 38 million for 2020 and USD 30 million for 2019) included a credit of USD 16 million (USD 27 million for 2020 and USD 31 million for 2019) related to prior years.

## Note 8 Income taxes

| USD million | For the year ended 31.12.21 | 31.12.20 | 31.12.19 |
|---|---|---|---|
| **Tax expense / (benefit)** | | | |
| Swiss | | | |
| Current | 614 | 417 | 336 |
| Deferred | 26 | 107 | 246 |
| Total Swiss | 640 | 524 | 582 |
| Non-Swiss | | | |
| Current | 857 | 715 | 402 |
| Deferred | 406 | 248 | 214 |
| Total non-Swiss | 1,263 | 963 | 616 |
| Total income tax expense / (benefit) recognized in the income statement | 1,903 | 1,488 | 1,198 |

### Income tax recognized in the income statement

Income tax expenses of USD 1,903 million were recognized for UBS AG in 2021, representing an effective tax rate of 21.2%. These included Swiss tax expenses of USD 640 million and non-Swiss tax expenses of USD 1,263 million.

The Swiss tax expenses included current tax expenses of USD 614 million related to taxable profits of UBS Switzerland AG and other Swiss entities. They also included deferred tax expenses of USD 26 million, which reflect movements in temporary differences.

The non-Swiss tax expenses included current tax expenses of USD 857 million related to taxable profits earned by non-Swiss subsidiaries and branches, and net deferred tax expenses of USD 406 million. Expenses of USD 740 million, which primarily related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., were partly offset by a benefit of USD 334 million in respect of the remeasurement of DTAs. This benefit included upward revaluations of DTAs of USD 152 million for certain entities, primarily in connection with our business planning process. It also included USD 113 million in respect of additional DTA recognition that primarily related to the contribution of real estate assets by UBS AG to UBS Americas Inc. and UBS Financial Services Inc., which allowed the full recognition of DTAs in respect of the associated historic real estate costs that were previously capitalized for US tax purposes under elections that were made in the fourth quarter of 2018. In addition, it included USD 69 million in respect of an increase in the expected value of future tax deductions for deferred compensation awards, due to an increase in the Group's share price during the year.

The pre-tax expense that was recognized in the year in respect of the increase in litigation provisions for the French cross-border matter did not result in any tax benefit.

| USD million | For the year ended 31.12.21 | 31.12.20 | 31.12.19 |
|---|---|---|---|
| Operating profit / (loss) before tax | 8,964 | 7,699 | 5,169 |
| *of which: Swiss* | *2,983* | *3,042* | *2,297* |
| *of which: non-Swiss* | *5,981* | *4,657* | *2,872* |
| Income taxes at Swiss tax rate of 18.5% for 2021, 19.5% for 2020 and 20.5% for 2019 | 1,658 | 1,501 | 1,060 |
| Increase / (decrease) resulting from: | | | |
| Non-Swiss tax rates differing from Swiss tax rate | 217 | 96 | 72 |
| Tax effects of losses not recognized | 124 | 144 | 131 |
| Previously unrecognized tax losses now utilized | (179) | (212) | (265) |
| Non-taxable and lower-taxed income | (252) | (381) | (305) |
| Non-deductible expenses and additional taxable income | 487 | 373 | 713 |
| Adjustments related to prior years – current tax | (38) | (66) | 1 |
| Adjustments related to prior years – deferred tax | (3) | 18 | (6) |
| Change in deferred tax recognition | (341) | (383) | (293) |
| Adjustments to deferred tax balances arising from changes in tax rates | (1) | 235 | (9) |
| Other items | 230 | 163 | 99 |
| Income tax expense / (benefit) | 1,903 | 1,488 | 1,198 |

## Note 8 Income taxes (continued)

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss tax rate, are provided in the table on the previous page and explained below.

| Component | Description |
|---|---|
| **Non-Swiss tax rates differing from Swiss tax rate** | To the extent that UBS AG profits or losses arise outside Switzerland, the applicable local tax rate may differ from the Swiss tax rate. This item reflects, for such profits, an adjustment from the tax expense that would arise at the Swiss tax rate to the tax expense that would arise at the applicable local tax rate. Similarly, it reflects, for such losses, an adjustment from the tax benefit that would arise at the Swiss tax rate to the tax benefit that would arise at the applicable local tax rate. |
| **Tax effects of losses not recognized** | This item relates to tax losses of entities arising in the year that are not recognized as DTAs and where no tax benefit arises in relation to those losses. Therefore, the tax benefit calculated by applying the local tax rate to those losses as described above is reversed. |
| **Previously unrecognized tax losses now utilized** | This item relates to taxable profits of the year that are offset by tax losses of previous years for which no DTAs were previously recorded. Consequently, no current tax or deferred tax expense arises in relation to those taxable profits and the tax expense calculated by applying the local tax rate on those profits is reversed. |
| **Non-taxable and lower-taxed income** | This item relates to tax deductions for the year in respect of permanent differences. These include deductions in respect of profits that are either not taxable or are taxable at a lower rate of tax than the local tax rate. They also include deductions made for tax purposes, which are not reflected in the accounts. |
| **Non-deductible expenses and additional taxable income** | This item relates to additional taxable income for the year in respect of permanent differences. These include income that is recognized for tax purposes by an entity but is not included in its profit that is reported in the financial statements, as well as expenses for the year that are non-deductible (e.g., client entertainment costs are not deductible in certain locations). |
| **Adjustments related to prior years – current tax** | This item relates to adjustments to current tax expense for prior years (e.g., if the tax payable for a year is agreed with the tax authorities in an amount that differs from the amount previously reflected in the financial statements). |
| **Adjustments related to prior years – deferred tax** | This item relates to adjustments to deferred tax positions recognized in prior years (e.g., if a tax loss for a year is fully recognized and the amount of the tax loss agreed with the tax authorities is expected to differ from the amount previously recognized as DTAs in the accounts). |
| **Change in deferred tax recognition** | This item relates to changes in DTAs, including changes in DTAs previously recognized resulting from reassessments of expected future taxable profits. It also includes changes in temporary differences in the year, for which deferred tax is not recognized. |
| **Adjustments to deferred tax balances arising from changes in tax rates** | This item relates to remeasurements of DTAs and liabilities recognized due to changes in tax rates. These have the effect of changing the future tax saving that is expected from tax losses or deductible tax differences and therefore the amount of DTAs recognized or, alternatively, changing the tax cost of additional taxable income from taxable temporary differences and therefore the deferred tax liability. |
| **Other items** | Other items include other differences between profits or losses at the local tax rate and the actual local tax expense or benefit, including movements in provisions for uncertain positions in relation to the current year and other items. |

### Income tax recognized directly in equity

A net tax benefit of USD 455 million was recognized in *Other comprehensive income* (2020: net expense of USD 258 million) and a net tax expense of USD 102 million was recognized in *Share premium* (2020: net benefit of USD 1 million).

## Deferred tax assets and liabilities

UBS AG has gross DTAs, valuation allowances and recognized DTAs related to tax loss carry-forwards and deductible temporary differences, and also deferred tax liabilities in respect of taxable temporary differences, as shown in the table below. The valuation allowances reflect DTAs that were not recognized because, as of the last remeasurement period, management did not consider it probable that there would be sufficient future taxable profits available to utilize the related tax loss carry-forwards and deductible temporary differences.

The recognition of DTAs is supported by forecasts of taxable profits for the entities concerned. In addition, tax planning opportunities are available that would result in additional future taxable income and these would be utilized, if necessary.

Deferred tax liabilities are recognized in respect of investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that UBS AG can control the timing of the reversal of the associated taxable temporary difference and it is probable that such will not reverse in the foreseeable future. However, as of 31 December 2021, this exception was not considered to apply to any taxable temporary differences.

| *USD million* | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| **Deferred tax assets**[1] | Gross | Valuation allowance | Recognized | Gross | Valuation allowance | Recognized |
| Tax loss carry-forwards | 13,636 | (9,193) | 4,443 | 14,108 | (8,715) | 5,393 |
| Temporary differences | 5,092 | (696) | 4,396 | 4,343 | (561) | 3,782 |
| *of which: related to real estate costs capitalized for US tax purposes* | *2,272* | *0* | *2,272* | *2,268* | *0* | *2,268* |
| *of which: related to compensation and benefits* | *1,200* | *(209)* | *991* | *1,112* | *(173)* | *939* |
| *of which: other* | *1,620* | *(487)* | *1,133* | *963* | *(388)* | *574* |
| Total deferred tax assets | 18,728 | (9,889) | 8,839[2] | 18,450 | (9,276) | 9,174[2] |
| *of which: related to the US* | | | *8,521* | | | *8,780* |
| *of which: related to other locations* | | | *318* | | | *394* |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Cash flow hedges | | | 118 | | | 425 |
| Other | | | 179 | | | 133 |
| Total deferred tax liabilities | | | 297 | | | 558 |

1 After offset of DTLs, as applicable. 2 As of 31 December 2021, UBS AG recognized DTAs of USD 77 million (31 December 2020: USD 138 million) in respect of entities that incurred losses in either the current or preceding year.

In general, US federal tax losses incurred prior to 31 December 2017 can be carried forward for 20 years. However, US federal tax losses incurred after 31 December 2017 and UK tax losses can be carried forward indefinitely, although the utilization of such losses is limited to 80% of the entity's future year taxable profits for the US and generally to 25% thereof for the UK. The amounts of US tax loss carry-forwards that are included in the table below are based on their amount for federal tax purposes rather than for state and local tax purposes.

**Unrecognized tax loss carry-forwards**

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Within 1 year | 141 | 146 |
| From 2 to 5 years | 1,026 | 638 |
| From 6 to 10 years | 13,283 | 13,257 |
| From 11 to 20 years | 2,093 | 3,858 |
| No expiry | 18,147 | 17,227 |
| Total | 34,690 | 35,127 |
| *of which: related to the US*[1] | *14,870* | *16,256* |
| *of which: related to the UK* | *14,909* | *13,848* |
| *of which: related to other locations* | *4,911* | *5,023* |

1 Related to UBS AG's US branch.

# Balance sheet notes

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement

The tables on the following pages provide information about financial instruments and certain credit lines that are subject to expected credit loss (ECL) requirements. UBS AG's ECL disclosure segments or "ECL segments" are aggregated portfolios based on shared risk characteristics and on the same or similar rating methods applied. The key segments are presented in the table below.

› **Refer to Note 20 for more information about expected credit loss measurement**

| Segment | Segment description | Description of credit risk sensitivity | Business division / Group Functions |
|---|---|---|---|
| **Private clients with mortgages** | Lending to private clients secured by owner-occupied real estate and personal account overdrafts of those clients | Sensitive to the interest rate environment, unemployment levels, real estate collateral values and other regional aspects | – Personal & Corporate Banking<br>– Global Wealth Management |
| **Real estate financing** | Rental or income-producing real estate financing to private and corporate clients secured by real estate | Sensitive to unemployment levels, the interest rate environment, real estate collateral values and other regional aspects | – Personal & Corporate Banking<br>– Global Wealth Management<br>– Investment Bank |
| **Large corporate clients** | Lending to large corporate and multi-national clients | Sensitive to GDP developments, unemployment levels, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | – Personal & Corporate Banking<br>– Investment Bank |
| **SME clients** | Lending to small and medium-sized corporate clients | Sensitive to GDP developments, unemployment levels, the interest rate environment and, to some extent, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | – Personal & Corporate Banking |
| **Lombard** | Loans secured by pledges of marketable securities, guarantees and other forms of collateral | Sensitive to equity and debt markets (e.g., changes in collateral values) | – Global Wealth Management |
| **Credit cards** | Credit card solutions in Switzerland and the US | Sensitive to unemployment levels | – Personal & Corporate Banking<br>– Global Wealth Management |
| **Commodity trade finance** | Working capital financing of commodity traders, generally extended on a self-liquidating transactional basis | Sensitive primarily to the strength of individual transaction structures and collateral values (price volatility of commodities), as the primary source for debt service is directly linked to the shipments financed | – Personal & Corporate Banking |
| **Financial intermediaries and hedge funds** | Lending to financial institutions and pension funds, including exposures to broker-dealers and clearing houses | Sensitive to GDP development, the interest rate environment, price and volatility risks in financial markets, and regulatory and political risk | – Personal & Corporate Banking<br>– Investment Bank |

› **Refer to Note 20f for more details regarding sensitivity**

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

The tables below and on the following pages provide ECL exposure and ECL allowance and provision information about financial instruments and certain non-financial instruments that are subject to ECL.

| *USD million* | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowances | | | |
| **Financial instruments measured at amortized cost** | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 192,817 | 192,817 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,360 | 15,333 | 26 | 1 | (8) | (7) | (1) | 0 |
| Receivables from securities financing transactions | 75,012 | 75,012 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 30,514 | 30,514 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 398,693 | 381,496 | 15,620 | 1,577 | (850) | (126) | (152) | (572) |
| *of which: Private clients with mortgages* | *152,479* | *143,505* | *8,262* | *711* | *(132)* | *(28)* | *(71)* | *(33)* |
| *of which: Real estate financing* | *43,945* | *40,463* | *3,472* | *9* | *(60)* | *(19)* | *(40)* | *0* |
| *of which: Large corporate clients* | *13,990* | *12,643* | *1,037* | *310* | *(170)* | *(22)* | *(16)* | *(133)* |
| *of which: SME clients* | *14,004* | *12,076* | *1,492* | *436* | *(259)* | *(19)* | *(15)* | *(225)* |
| *of which: Lombard* | *149,283* | *149,255* | *0* | *27* | *(33)* | *(6)* | *0* | *(28)* |
| *of which: Credit cards* | *1,716* | *1,345* | *342* | *29* | *(36)* | *(10)* | *(9)* | *(17)* |
| *of which: Commodity trade finance* | *3,813* | *3,799* | *7* | *7* | *(114)* | *(6)* | *0* | *(108)* |
| Other financial assets measured at amortized cost | 26,236 | 25,746 | 302 | 189 | (109) | (27) | (7) | (76) |
| *of which: Loans to financial advisors* | *2,453* | *2,184* | *106* | *163* | *(86)* | *(19)* | *(3)* | *(63)* |
| Total financial assets measured at amortized cost | 738,632 | 720,917 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,844 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 747,477 | 729,762 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |

| | Total exposure | | | | ECL provisions | | | |
|---|---|---|---|---|---|---|---|---|
| **Off-balance sheet (in scope of ECL)** | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 20,972 | 19,695 | 1,127 | 150 | (41) | (18) | (8) | (15) |
| *of which: Large corporate clients* | *3,464* | *2,567* | *793* | *104* | *(6)* | *(3)* | *(3)* | *0* |
| *of which: SME clients* | *1,353* | *1,143* | *164* | *46* | *(8)* | *(1)* | *(1)* | *(7)* |
| *of which: Financial intermediaries and hedge funds* | *9,575* | *9,491* | *84* | *0* | *(17)* | *(13)* | *(4)* | *0* |
| *of which: Lombard* | *2,454* | *2,454* | *0* | *0* | *(1)* | *0* | *0* | *(1)* |
| *of which: Commodity trade finance* | *3,137* | *3,137* | *0* | *0* | *(1)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 39,478 | 37,097 | 2,335 | 46 | (114) | (72) | (42) | 0 |
| *of which: Large corporate clients* | *23,922* | *21,811* | *2,102* | *9* | *(100)* | *(66)* | *(34)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 1,444 | 1,444 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 42,373 | 39,802 | 2,508 | 63 | (38) | (28) | (10) | 0 |
| *of which: Real estate financing* | *7,328* | *7,046* | *281* | *0* | *(5)* | *(4)* | *(1)* | *0* |
| *of which: Large corporate clients* | *5,358* | *4,599* | *736* | *23* | *(7)* | *(4)* | *(3)* | *0* |
| *of which: SME clients* | *5,160* | *4,736* | *389* | *35* | *(15)* | *(11)* | *(3)* | *0* |
| *of which: Lombard* | *8,670* | *8,670* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Credit cards* | *9,466* | *9,000* | *462* | *4* | *(6)* | *(5)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *117* | *117* | *0* | *0* | *0* | *0* | *0* | *0* |
| Irrevocable committed prolongation of existing loans | 5,611 | 5,527 | 36 | 48 | (3) | (3) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 109,878 | 103,565 | 6,006 | 307 | (196) | (121) | (60) | (15) |
| Total allowances and provisions | | | | | (1,165) | (282) | (220) | (662) |

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| *USD million* | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowances | | | |
| **Financial instruments measured at amortized cost** | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 158,231 | 158,231 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,344 | 15,160 | 184 | 0 | (16) | (9) | (5) | (1) |
| Receivables from securities financing transactions | 74,210 | 74,210 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 32,737 | 32,737 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 380,977 | 358,396 | 20,341 | 2,240 | (1,060) | (142) | (215) | (703) |
| *of which: Private clients with mortgages* | *148,175* | *138,769* | *8,448* | *959* | *(166)* | *(35)* | *(93)* | *(39)* |
| *of which: Real estate financing* | *43,429* | *37,568* | *5,838* | *23* | *(63)* | *(15)* | *(44)* | *(4)* |
| *of which: Large corporate clients* | *15,161* | *12,658* | *2,029* | *474* | *(279)* | *(27)* | *(40)* | *(212)* |
| *of which: SME clients* | *14,872* | *11,990* | *2,254* | *628* | *(310)* | *(19)* | *(23)* | *(268)* |
| *of which: Lombard* | *133,850* | *133,795* | *0* | *55* | *(36)* | *(5)* | *0* | *(31)* |
| *of which: Credit cards* | *1,558* | *1,198* | *330* | *30* | *(38)* | *(11)* | *(11)* | *(16)* |
| *of which: Commodity trade finance* | *3,269* | *3,214* | *43* | *12* | *(106)* | *(5)* | *0* | *(101)* |
| Other financial assets measured at amortized cost | 27,219 | 26,401 | 348 | 469 | (133) | (34) | (9) | (90) |
| *of which: Loans to financial advisors* | *2,569* | *1,982* | *137* | *450* | *(108)* | *(27)* | *(5)* | *(76)* |
| Total financial assets measured at amortized cost | 688,717 | 665,135 | 20,873 | 2,709 | (1,211) | (187) | (229) | (795) |
| Financial assets measured at fair value through other comprehensive income | 8,258 | 8,258 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 696,976 | 673,394 | 20,873 | 2,709 | (1,211) | (187) | (229) | (795) |

| | Total exposure | | | | ECL provisions | | | |
|---|---|---|---|---|---|---|---|---|
| **Off-balance sheet (in scope of ECL)** | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 17,081 | 14,687 | 2,225 | 170 | (63) | (14) | (15) | (34) |
| *of which: Large corporate clients* | *3,710* | *2,048* | *1,549* | *113* | *(20)* | *(4)* | *(5)* | *(12)* |
| *of which: SME clients* | *1,310* | *936* | *326* | *48* | *(13)* | *(1)* | *(1)* | *(11)* |
| *of which: Financial intermediaries and hedge funds* | *7,637* | *7,413* | *224* | *0* | *(17)* | *(7)* | *(9)* | *0* |
| *of which: Lombard* | *641* | *633* | *0* | *8* | *(2)* | *0* | *0* | *(2)* |
| *of which: Commodity trade finance* | *1,441* | *1,416* | *25* | *0* | *(2)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 41,372 | 36,894 | 4,374 | 104 | (142) | (74) | (68) | 0 |
| *of which: Large corporate clients* | *24,209* | *20,195* | *3,950* | *64* | *(121)* | *(63)* | *(58)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 3,247 | 3,247 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 42,077 | 37,176 | 4,792 | 108 | (50) | (29) | (21) | 0 |
| *of which: Real estate financing* | *6,328* | *5,811* | *517* | *0* | *(12)* | *(5)* | *(7)* | *0* |
| *of which: Large corporate clients* | *4,909* | *2,783* | *2,099* | *27* | *(9)* | *(2)* | *(7)* | *0* |
| *of which: SME clients* | *5,827* | *4,596* | *1,169* | *63* | *(16)* | *(12)* | *(4)* | *0* |
| *of which: Lombard* | *9,671* | *9,671* | *0* | *0* | *0* | *(1)* | *0* | *0* |
| *of which: Credit cards* | *8,661* | *8,220* | *430* | *11* | *(8)* | *(6)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *242* | *242* | *0* | *0* | *0* | *0* | *0* | *0* |
| Irrevocable committed prolongation of existing loans | 3,282 | 3,277 | 5 | 0 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 107,059 | 95,281 | 11,396 | 382 | (257) | (119) | (104) | (34) |
| Total allowances and provisions | | | | | (1,468) | (306) | (333) | (829) |

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of *Loans and advances to customers* and *Loans to financial advisors*.

These ratios are influenced by the following key factors:

- Lombard loans are generally secured with marketable securities in portfolios that are, as a rule, highly diversified, with strict lending policies that are intended to ensure that credit risk is minimal under most circumstances;
- mortgage loans to private clients and real estate financing are controlled by conservative eligibility criteria, including low loan-to-value ratios and strong debt service capabilities;
- the amount of unsecured retail lending (including credit cards) is insignificant;
- lending in Switzerland includes government backed COVID-19 loans;
- contractual maturities in the loan portfolio, which are a factor in the calculation of ECLs, are generally short, with Lombard lending typically having average contractual maturities of 12 months or less, real estate lending generally between 2 years and 3 years in Switzerland with longer dated maturities in the US and corporate lending between 1 to 2 years with related loan commitments up to 4 years; and
- write-offs of ECL allowances against the gross loan balances when all or part of a financial asset is deemed uncollectible or forgiven, reduces the coverage ratios.

**Coverage ratios for core loan portfolio**

| | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | |
| On-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 152,610 | 143,533 | 8,333 | 744 | 9 | 2 | 85 | 446 |
| Real estate financing | 44,004 | 40,483 | 3,512 | 10 | 14 | 5 | 114 | 231 |
| Large corporate clients | 14,161 | 12,665 | 1,053 | 443 | 120 | 18 | 148 | 2,997 |
| SME clients | 14,263 | 12,095 | 1,507 | 661 | 182 | 16 | 103 | 3,402 |
| Lombard | 149,316 | 149,261 | 0 | 55 | 2 | 0 | 0 | 5,026 |
| Credit cards | 1,752 | 1,355 | 351 | 46 | 204 | 72 | 255 | 3,735 |
| Commodity trade finance | 3,927 | 3,805 | 7 | 115 | 290 | 15 | 3 | 9,388 |
| Other loans and advances to customers | 19,510 | 18,425 | 1,010 | 75 | 23 | 9 | 15 | 3,730 |
| Loans to financial advisors | 2,539 | 2,203 | 109 | 226 | 338 | 88 | 303 | 2,791 |
| Total[1] | 402,081 | 383,825 | 15,882 | 2,374 | 23 | 4 | 98 | 2,673 |

| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 9,123 | 8,798 | 276 | 49 | 3 | 3 | 9 | 15 |
| Real estate financing | 8,766 | 8,481 | 285 | 0 | 9 | 7 | 88 | 0 |
| Large corporate clients | 32,748 | 28,981 | 3,630 | 136 | 34 | 25 | 110 | 1 |
| SME clients | 8,077 | 7,276 | 688 | 114 | 38 | 19 | 151 | 585 |
| Lombard | 14,438 | 14,438 | 0 | 0 | 1 | 0 | 0 | 0 |
| Credit cards | 9,466 | 9,000 | 462 | 4 | 7 | 5 | 34 | 0 |
| Commodity trade finance | 3,262 | 3,262 | 0 | 0 | 4 | 4 | 0 | 0 |
| Financial intermediaries and hedge funds | 13,747 | 13,379 | 369 | 0 | 13 | 10 | 120 | 0 |
| Other off-balance sheet commitments | 8,806 | 8,507 | 296 | 4 | 15 | 6 | 30 | 0 |
| Total[2] | 108,434 | 102,121 | 6,006 | 307 | 18 | 12 | 100 | 486 |

1 Includes Loans and advances to customers of USD 399,543 million and Loans to financial advisors of USD 2,539 million which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| **Coverage ratios for core loan portfolio** | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | |
| On-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 148,341 | 138,803 | 8,540 | 998 | 11 | 2 | 108 | 390 |
| Real estate financing | 43,492 | 37,583 | 5,883 | 27 | 15 | 4 | 75 | 1,414 |
| Large corporate clients | 15,440 | 12,684 | 2,069 | 686 | 181 | 21 | 192 | 3,089 |
| SME clients | 15,183 | 12,010 | 2,277 | 896 | 204 | 16 | 101 | 2,991 |
| Lombard | 133,886 | 133,800 | 0 | 86 | 3 | 0 | 0 | 3,592 |
| Credit cards | 1,596 | 1,209 | 342 | 46 | 240 | 91 | 333 | 3,488 |
| Commodity trade finance | 3,375 | 3,219 | 43 | 113 | 315 | 16 | 2 | 8,939 |
| Other loans and advances to customers | 20,722 | 19,229 | 1,402 | 91 | 29 | 13 | 25 | 3,563 |
| Loans to financial advisors | 2,677 | 2,009 | 142 | 526 | 404 | 135 | 351 | 1,446 |
| Total[1] | 384,714 | 360,547 | 20,697 | 3,470 | 30 | 5 | 106 | 2,247 |

| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Private clients with mortgages | 6,285 | 6,083 | 198 | 3 | 7 | 6 | 16 | 197 |
| Real estate financing | 7,056 | 6,576 | 481 | 0 | 21 | 9 | 185 | 0 |
| Large corporate clients | 32,828 | 25,026 | 7,598 | 205 | 46 | 27 | 92 | 565 |
| SME clients | 9,121 | 7,239 | 1,734 | 148 | 40 | 19 | 63 | 779 |
| Lombard | 14,178 | 14,170 | 0 | 8 | 2 | 1 | 0 | 1,941 |
| Credit cards | 8,661 | 8,220 | 430 | 11 | 9 | 8 | 44 | 0 |
| Commodity trade finance | 1,683 | 1,658 | 25 | 0 | 10 | 8 | 15 | 8,279 |
| Financial intermediaries and hedge funds | 7,690 | 7,270 | 448 | 0 | 26 | 13 | 248 | 166 |
| Other off-balance sheet commitments | 16,309 | 15,792 | 482 | 8 | 12 | 6 | 11 | 12,414 |
| Total[2] | 103,812 | 92,034 | 11,396 | 382 | 25 | 13 | 91 | 894 |

1 Includes Loans and advances to customers of USD 382,036 million and Loans to financial advisors of USD 2,677 million which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Overview

Over-the-counter (OTC) derivative contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) master agreement between UBS AG and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA. Other OTC derivatives are cleared through clearing houses, in particular interest rate swaps with LCH, where a settled-to-market method has been generally adopted, under which cash collateral exchanged on a daily basis is considered to legally settle the market value of the derivatives. Regulators in various jurisdictions have begun a phased introduction of rules requiring the payment and collection of initial and variation margins on certain OTC derivative contracts, which may have a bearing on price and other relevant terms. Due to challenges brought on by COVID-19, the International Organization of Securities Commissions (IOSCO) has extended the deadline for completion of the final phase-in of margin requirements for non-centrally cleared derivatives, to 1 September 2022.

Other derivative contracts are standardized in terms of their amounts and settlement dates, and are bought and sold on regulated exchanges. These are commonly referred to as exchange-traded derivatives (ETD) contracts. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value and, consequently, reduced credit risk.

Most of UBS AG's derivative transactions relate to sales and market-making activity. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Market-making aims to directly support the facilitation and execution of client activity, and involves quoting bid and offer prices to other market participants with the aim of generating revenues based on spread and volume. UBS AG also uses various derivative instruments for hedging purposes.

› **Refer to Notes 16 and 21 for more information about derivative instruments**
› **Refer to Note 26 for more information about derivatives designated in hedge accounting relationships**

## Risks of derivative instruments

The derivative financial assets shown on the balance sheet can be an important component of UBS AG 's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of UBS AG's credit exposure in its derivatives business with that counterparty. This is generally the case because, on the one hand, replacement values can increase over time (potential future exposure), while, on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements. Both the exposure measures used internally by UBS AG to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

› **Refer to Note 22 for more information about derivative financial assets and liabilities after consideration of netting potential allowed under enforceable netting arrangements**
› **Refer to the "Risk management and control" section of this report for more information about the risks arising from derivative instruments**

## Note 10 Derivative instruments (continued)

### Derivative instruments

| | 31.12.21 | | | | | 31.12.20 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *USD billion* | Derivative financial assets | Notional amounts related to derivative financial assets[2,3] | Derivative financial liabilities | Notional amounts related to derivative financial liabilities[2,3] | Other notional amounts[2,4] | Derivative financial assets | Notional amounts related to derivative financial assets[2,3] | Derivative financial liabilities | Notional amounts related to derivative financial liabilities[2,3] | Other notional amounts[2,4] |
| Interest rate contracts | 33.2 | 991.2 | 28.7 | 943.1 | 8,675.1 | 50.9 | 928.0 | 43.9 | 880.4 | 11,291.5 |
| *of which: forward contracts (OTC)*[1] | *0.1* | *29.4* | *0.2* | *28.6* | *443.6* | *0.0* | *19.8* | *0.4* | *21.9* | *2,602.5* |
| *of which: swaps (OTC)* | *26.4* | *394.3* | *19.2* | *344.1* | *7,549.4* | *40.8* | *407.0* | *30.9* | *364.8* | *8,105.2* |
| *of which: options (OTC)* | *6.6* | *545.2* | *9.2* | *553.6* | | *10.1* | *447.5* | *12.5* | *460.5* | |
| *of which: futures (ETD)* | | | | | *525.0* | | | | | *480.6* |
| *of which: options (ETD)* | *0.0* | *22.4* | *0.0* | *16.8* | *157.1* | *0.0* | *53.6* | *0.0* | *33.1* | *103.3* |
| Credit derivative contracts | 1.4 | 44.7 | 1.8 | 46.3 | | 2.4 | 57.6 | 2.9 | 64.8 | |
| *of which: credit default swaps (OTC)* | *1.3* | *39.4* | *1.6* | *44.1* | | *2.2* | *53.6* | *2.6* | *62.3* | |
| *of which: total return swaps (OTC)* | *0.1* | *1.3* | *0.2* | *1.7* | | *0.1* | *1.9* | *0.3* | *2.5* | |
| Foreign exchange contracts | 53.3 | 3,031.0 | 54.1 | 2,938.8 | 1.2 | 68.7 | 2,951.2 | 70.5 | 2,820.4 | 1.4 |
| *of which: forward contracts (OTC)* | *23.8* | *1,009.1* | *23.8* | *1,043.2* | | *27.3* | *779.2* | *29.0* | *853.3* | |
| *of which: swaps (OTC)* | *24.3* | *1,606.4* | *24.9* | *1,480.3* | | *34.3* | *1,727.3* | *34.4* | *1,567.3* | |
| *of which: options (OTC)* | *5.2* | *412.6* | *5.3* | *408.6* | | *7.1* | *440.9* | *7.1* | *394.7* | |
| Equity contracts | 28.2 | 456.9 | 34.9 | 603.9 | 80.1 | 34.8 | 449.6 | 41.2 | 581.3 | 91.3 |
| *of which: swaps (OTC)* | *4.7* | *105.7* | *9.3* | *154.8* | | *6.4* | *89.4* | *9.8* | *108.4* | |
| *of which: options (OTC)* | *4.6* | *61.4* | *6.5* | *102.3* | | *7.0* | *87.1* | *10.9* | *146.2* | |
| *of which: futures (ETD)* | | | | | *71.2* | | | | | *67.9* |
| *of which: options (ETD)* | *10.2* | *289.6* | *9.8* | *346.3* | *8.8* | *10.7* | *273.1* | *11.3* | *326.8* | *23.5* |
| *of which: client-cleared transactions (ETD)* | *8.6* | | *9.4* | | | *10.7* | | *9.1* | | |
| Commodity contracts | 1.6 | 57.8 | 1.6 | 56.4 | 14.7 | 2.2 | 57.8 | 2.0 | 49.7 | 10.1 |
| *of which: swaps (OTC)* | *0.5* | *19.9* | *0.8* | *25.4* | | *0.5* | *17.7* | *0.8* | *18.0* | |
| *of which: options (OTC)* | *0.4* | *14.0* | *0.2* | *10.4* | | *1.0* | *23.5* | *0.7* | *17.8* | |
| *of which: futures (ETD)* | | | | | *13.9* | | | | | *9.3* |
| *of which: forward contracts (ETD)* | *0.0* | *18.1* | *0.0* | *15.2* | | *0.0* | *8.0* | *0.0* | *6.3* | |
| *of which: client-cleared transactions (ETD)* | *0.6* | | *0.4* | | | *0.5* | | *0.3* | | |
| Loan commitments measured at FVTPL (OTC) | 0.0 | 0.8 | 0.0 | 8.2 | | | | 0.0 | 10.2 | |
| Unsettled purchases of non-derivative financial instruments[5] | 0.1 | 13.3 | 0.2 | 10.6 | | 0.3 | 18.3 | 0.2 | 10.0 | |
| Unsettled sales of non-derivative financial instruments[5] | 0.2 | 18.2 | 0.1 | 9.4 | | 0.2 | 17.2 | 0.3 | 12.9 | |
| Total derivative instruments, based on IFRS netting[6] | 118.1 | 4,614.0 | 121.3 | 4,616.6 | 8,771.1 | 159.6 | 4,479.6 | 161.1 | 4,429.7 | 11,394.4 |

1 Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. 2 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional amounts of the netted derivative financial instruments are still presented on a gross basis. 3 Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have significantly different risk profile. 4 Other notional amounts relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 5 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 6 Derivative financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 22 for more information on netting arrangements.

On a notional amount basis, approximately 40% of OTC interest rate contracts held as of 31 December 2021 (31 December 2020: 50%) mature within one year, 36% (31 December 2020: 30%) within one to five years and 25% (31 December 2020: 20%) after five years.

Notional amounts of interest rate contracts cleared through either a central counterparty or an exchange that are legally settled on a daily basis are presented under *Other notional amounts* in the table above and are categorized into maturity buckets on the basis of contractual maturities of the cleared underlying derivative contracts. Other notional amounts related to interest rate contracts decreased by USD 2.6 trillion compared with 31 December 2020, mainly reflecting trade compressions, which included activity as part of the ongoing transition to alternative reference rates, and maturities.

## Note 11 Financial assets measured at fair value through other comprehensive income

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income[1] | | |
| Debt instruments | | |
| Governments and government agencies | 8,522 | 8,155 |
| *of which: USA* | *7,507* | *7,727* |
| Banks | 322 | 103 |
| Total financial assets measured at fair value through other comprehensive income | 8,844 | 8,258 |
| Unrealized gains / (losses) recognized in Other comprehensive income | | |
| Unrealized gains, before tax | 67 | 204 |
| Unrealized (losses), before tax | (80) | (4) |
| Net unrealized gains / (losses), before tax | (13) | 200 |
| Net unrealized gains / (losses), after tax | (7) | 151 |

1 Refer to Note 21c for more information about product type and fair value hierarchy categorization. Refer also to Note 9 and Note 20 for more information about expected credit loss measurement.

## Note 12 Property, equipment and software

### At historical cost less accumulated depreciation

| *USD million* | Owned properties and equipment[1] | Leased properties and equipment[2] | Software | Projects in progress | 2021 | 2020 |
|---|---|---|---|---|---|---|
| Historical cost | | | | | | |
| Balance at the beginning of the year | 11,676 | 4,091 | 7,111 | 907 | 23,785 | 22,329 |
| Additions | 162[1] | 174 | 233 | 1,220 | 1,789 | 1,989 |
| Disposals / write-offs[3] | (345) | (212) | (75) | 0 | (632) | (867) |
| Reclassifications[4] | 267 | 0 | 703 | (988) | (18) | (590) |
| Foreign currency translation | (266) | (59) | (48) | (9) | (381) | 924 |
| Balance at the end of the year | 11,494 | 3,994 | 7,924 | 1,130 | 24,542 | 23,785 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 7,188 | 1,019 | 3,621 | 0 | 11,827 | 10,503 |
| Depreciation | 507 | 474 | 854 | 0 | 1,835 | 1,779 |
| Impairment[5] | 8 | 1 | 0 | 0 | 9 | 72 |
| Disposals / write-offs[3] | (341) | (204) | (75) | 0 | (619) | (735) |
| Reclassifications[4] | (12) | 0 | 0 | 0 | (12) | (328) |
| Foreign currency translation | (172) | (18) | (19) | 0 | (210) | 535 |
| Balance at the end of the year | 7,178 | 1,272 | 4,380 | 0 | 12,830 | 11,827 |
| | | | | | | |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 4,488 | 3,072 | 3,490 | 907 | 11,958 | 11,826 |
| Net book value at the end of the year | 4,316 | 2,722 | 3,544 | 1,130[6] | 11,712 | 11,958 |

1 Includes leasehold improvements and IT hardware. 2 Represents right-of-use assets recognized by UBS AG as lessee. UBS AG predominantly enters into lease contracts, or contracts that include lease components, in relation to real estate, including offices, retail branches and sales offices. The total cash outflow for leases during 2021 was USD 632 million (2020: USD 652 million). Interest expense on lease liabilities is included within Interest expense from financial instruments measured at amortized cost and Lease liabilities are included within Other financial liabilities measured at amortized cost. Refer to Notes 3 and 19a, respectively. There were no material gains or losses arising from sale-and-leaseback transactions in 2021 (2020: USD 140 million). 3 Includes write-offs of fully depreciated assets. 4 The total reclassification amount for the respective periods represents net reclassifications to Properties and other non-current assets held for sale. 5 Impairment charges recorded in 2021 generally relate to assets that are no longer used, for which the recoverable amount based on a value in use approach was determined to be zero. 6 Consists of USD 1,009 million related to software and USD 121 million related to Owned properties and equipment.

## Note 13 Goodwill and intangible assets

### Introduction

UBS AG performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS AG considers Asset Management, as it is reported in Note 2a, as a separate cash-generating unit (a CGU), as that is the level at which the performance of investment (and the related goodwill) is reviewed and assessed by management. Given that a significant amount of goodwill in Global Wealth Management relates to the PaineWebber acquisition in 2000, which mainly affected the Americas portion of the business, this goodwill remains separately monitored by the Americas, despite the formation of Global Wealth Management in 2018. Therefore, goodwill for Global Wealth Management is separately considered for impairment at the level of two CGUs: Americas; and Switzerland and International (consisting of EMEA, Asia Pacific and Global).

The impairment test is performed for each CGU to which goodwill is allocated by comparing the recoverable amount, based on its value in use, with the carrying amount of the respective CGU. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

As of 31 December 2021, total goodwill recognized on the balance sheet was USD 6.1 billion, of which USD 3.7 billion was carried by the Global Wealth Management Americas CGU, USD 1.2 billion was carried by the Global Wealth Management Switzerland and International CGU, and USD 1.2 billion was carried by Asset Management. Based on the impairment testing methodology described below, UBS AG concluded that the goodwill balances as of 31 December 2021 allocated to these CGUs are not impaired.

### Methodology for goodwill impairment testing

The recoverable amounts are determined using a discounted cash flow model, which has been adapted to use inputs that consider features of the banking business and its regulatory environment. The recoverable amount of a CGU is the sum of the discounted earnings attributable to shareholders from the first three forecast years and the terminal value, adjusted for the effect of the capital assumed to be needed over the next three years and to support growth beyond that period. The terminal value, which covers all periods beyond the third year, is calculated on the basis of the forecast of third-year profit, the discount rate and the long-term growth rate, as well as the implied perpetual capital growth.

The carrying amount for each CGU is determined by reference to UBS's equity attribution framework. Within this framework, which is described in the "Capital, liquidity and funding, and balance sheet" section of this report, UBS attributes equity to the businesses on the basis of their risk-weighted assets and leverage ratio denominator (both metrics include resource allocations from Group Functions to the business divisions), their goodwill and their intangible assets, as well as attributed equity related to certain CET1 deduction items. The framework is primarily used for the purpose of measuring the performance of the businesses and includes certain management assumptions. Attributed equity is equal to the capital a CGU requires to conduct its business and is currently considered a reasonable approximation of the carrying amount of the CGUs. The attributed equity methodology is also applied in the business planning process, the inputs from which are used in calculating the recoverable amounts of the respective CGU.

› **Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the equity attribution framework**

### Assumptions

Valuation parameters used within UBS AG's impairment test model are linked to external market information, where applicable. The model used to determine the recoverable amount is most sensitive to changes in the forecast earnings available to shareholders in years one to three, to changes in the discount rates and to changes in the long-term growth rate. The applied long-term growth rate is based on long-term economic growth rates for different regions worldwide. Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors.

The discount rates are determined by applying a capital asset pricing model-based approach, as well as considering quantitative and qualitative inputs from both internal and external analysts and the view of management. They also take into account regional differences in risk-free rates at the level of the individual CGUs. In line with discount rates, long-term growth rates are determined at the regional level based on nominal or real GDP growth rate forecasts.

## Note 13 Goodwill and intangible assets (continued)

Key assumptions used to determine the recoverable amounts of each CGU are tested for sensitivity by applying a reasonably possible change to those assumptions. Forecast earnings available to shareholders were changed by 20%, the discount rates were changed by 1.5 percentage points, and the long-term growth rates were changed by 0.75 percentage points. Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill or intangible assets reported by Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of goodwill attributable to Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce IFRS equity and net profit. It would not affect cash flows and, as goodwill is required to be deducted from capital under the Basel III capital framework, no effect would be expected on UBS AG's capital ratios.

### Discount and growth rates

| | Discount rates | | Growth rates | |
|---|---|---|---|---|
| *In %* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Global Wealth Management Americas | 9.5 | 9.5 | 4.0 | 5.1 |
| Global Wealth Management Switzerland and International | 8.5 | 8.5 | 3.1 | 3.7 |
| Asset Management | 8.5 | 8.5 | 2.9 | 3.5 |

| *USD million* | Goodwill | Intangible assets[1] | 2021 | 2020 |
|---|---|---|---|---|
| Historical cost | | | | |
| Balance at the beginning of the year | 6,182 | 1,683 | 7,865 | 7,820 |
| Additions | | 1 | 1 | 147 |
| Disposals | (3) | | (3) | (158) |
| Write-offs | | (41) | (41) | (35) |
| Foreign currency translation | (53) | (30) | (83) | 91 |
| Balance at the end of the year | 6,126 | 1,612 | 7,739 | 7,865 |
| Accumulated amortization and impairment | | | | |
| Balance at the beginning of the year | | 1,385 | 1,385 | 1,351 |
| Amortization | | 31 | 31 | 55 |
| Impairment / (reversal of impairment)[2] | | (1) | (1) | 2 |
| Disposals | | | 0 | 0 |
| Write-offs | | (41) | (41) | (35) |
| Foreign currency translation | | (13) | (13) | 11 |
| Balance at the end of the year | | 1,360 | 1,360 | 1,385 |
| Net book value at the end of the year | 6,126 | 252 | 6,378 | 6,480 |
| *of which: Global Wealth Management Americas* | *3,720* | *41* | *3,760* | *3,770* |
| *of which: Global Wealth Management Switzerland and International* | *1,204* | *72* | *1,276* | *1,320* |
| *of which: Asset Management* | *1,202* | | *1,202* | *1,226* |
| *of which: Investment Bank* | | *139* | *139* | *161* |
| *of which: Group Functions* | | | *0* | *4* |

1 Intangible assets mainly include customer relationships, contractual rights and the fully amortized branch network intangible asset recognized in connection with the acquisition of PaineWebber Group, Inc.
2 Impairment charges recorded in 2020 relate to assets for which the recoverable amount was determined considering their value in use (recoverable amount of the impaired intangible assets: USD 5 million for 2020).

The table below presents estimated aggregated amortization expenses for intangible assets.

| *USD million* | Intangible assets |
|---|---|
| Estimated aggregated amortization expenses for: | |
| 2022 | 29 |
| 2023 | 27 |
| 2024 | 23 |
| 2025 | 23 |
| 2026 | 23 |
| Thereafter | 126 |
| Not amortized due to indefinite useful life | 2 |
| Total | 252 |

## Note 14 Other assets

### a) Other financial assets measured at amortized cost

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Debt securities | 18,858 | 18,801 |
| *of which: government bills / bonds* | *9,833* | *9,789* |
| Loans to financial advisors | 2,453 | 2,569 |
| Fee- and commission-related receivables | 1,966 | 2,014 |
| Finance lease receivables | 1,356 | 1,447 |
| Settlement and clearing accounts | 455 | 614 |
| Accrued interest income | 521 | 592 |
| Other | 627 | 1,182 |
| Total other financial assets measured at amortized cost | 26,236 | 27,219 |

### b) Other non-financial assets

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Precious metals and other physical commodities | 5,258 | 6,264 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters[1] | 1,526 | 1,418 |
| Prepaid expenses | 717 | 731 |
| VAT and other tax receivables | 591 | 392 |
| Properties and other non-current assets held for sale | 32 | 246 |
| Assets of disposal groups held for sale[2] | 1,093 | |
| Other | 618 | 323 |
| Total other non-financial assets | 9,836 | 9,374 |

1 Refer to Note 18 for more information. 2 Refer to Note 30 for more information.

## Note 15 Amounts due to banks, customer deposits, and funding from UBS Group AG

### a) Amounts due to banks and customer deposits

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts due to banks | 13,101 | 11,050 |
| Customer deposits | 544,834 | 527,929 |
| *of which: demand deposits* | *247,299* | *237,604* |
| *of which: retail savings / deposits* | *247,224* | *220,898* |
| *of which: time deposits[1]* | *50,312* | *69,427* |
| Total amounts due to banks and customer deposits | 557,935 | 538,979 |

1 Includes customer deposits in UBS AG Jersey Branch placed by UBS Switzerland AG on behalf of its clients.

### b) Funding from UBS Group AG

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC) | 38,984 | 36,611 |
| Senior unsecured debt other than TLAC | 4,471 | 2,939 |
| High-trigger loss-absorbing additional tier 1 capital instruments | 11,414 | 11,854 |
| Low-trigger loss-absorbing additional tier 1 capital instruments | 2,426 | 2,575 |
| Total[1] | 57,295 | 53,979 |

1 UBS AG has also recognized funding from UBS Group AG that is designated at fair value. Refer to Note 19b for more information.

## Note 16 Debt issued designated at fair value

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Issued debt instruments | | |
| Equity-linked[1] | 47,059 | 41,069 |
| Rates-linked | 16,369 | 11,038 |
| Credit-linked | 1,723 | 1,933 |
| Fixed-rate | 2,868 | 3,604 |
| Commodity-linked | 2,911 | 1,497 |
| Other | 529 | 726 |
| Total debt issued designated at fair value | 71,460 | 59,868 |
| *of which: issued by UBS AG with original maturity greater than one year*[2] | *57,967* | *46,427* |
| *of which: life-to-date own credit (gain) / loss* | *144* | *233* |

1 Includes investment fund unit-linked instruments issued. 2 Based on original contractual maturity without considering any early redemption features. As of 31 December 2021, 100% of the balance was unsecured (31 December 2020: 100%).

As of 31 December 2021 and 31 December 2020, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss was not materially different from the carrying amount.

The table below shows the residual contractual maturity of the carrying amount of debt issued designated at fair value, split between fixed-rate and floating-rate instruments based on the contractual terms, and does not consider any early redemption features. Interest rate ranges for future interest payments related to debt issued designated at fair value have not been included in the table below, as the majority of the debt instruments issued are structured products and therefore the future interest payments are highly dependent upon the embedded derivative and prevailing market conditions at the point in time that each interest payment is made.

› **Refer to Note 24 for maturity information on an undiscounted cash flow basis**

**Contractual maturity of carrying amount**

| *USD million* | 2022 | 2023 | 2024 | 2025 | 2026 | 2027–2031 | Thereafter | Total 31.12.21 | Total 31.12.20 |
|---|---|---|---|---|---|---|---|---|---|
| UBS AG[1] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 4,296 | 1,658 | 716 | 495 | 226 | 273 | 1,732 | 9,397 | 9,409 |
| Floating-rate | 19,338 | 15,621 | 5,067 | 5,816 | 3,840 | 8,364 | 3,238 | 61,284 | 49,528 |
| Subtotal | 23,635 | 17,279 | 5,783 | 6,311 | 4,066 | 8,637 | 4,971 | 70,682 | 58,937 |
| Other subsidiaries[2] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 6 | 0 | 0 | 0 | 0 | 423 | 0 | 429 | 539 |
| Floating-rate | 150 | 47 | 145 | 0 | 0 | 0 | 7 | 349 | 392 |
| Subtotal | 156 | 47 | 145 | 0 | 0 | 423 | 7 | 778 | 931 |
| Total | 23,791 | 17,325 | 5,929 | 6,311 | 4,066 | 9,060 | 4,977 | 71,460 | 59,868 |

1 Consists of instruments issued by the legal entity UBS AG. 2 Consists of instruments issued by subsidiaries of UBS AG.

## Note 17 Debt issued measured at amortized cost

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Certificates of deposit and commercial paper | 40,640 | 41,151 |
| Other short-term debt | 2,458 | 5,515 |
| Short-term debt[1] | 43,098 | 46,666 |
| Senior unsecured debt | 23,328 | 18,483 |
| *of which: issued by UBS AG with original maturity greater than one year*[2] | *23,307* | *18,464* |
| Covered bonds | 1,389 | 2,796 |
| Subordinated debt | 5,163 | 7,744 |
| *of which: low-trigger loss-absorbing tier 2 capital instruments* | *2,596* | *7,201* |
| *of which: non-Basel III-compliant tier 2 capital instruments* | *547* | *543* |
| Debt issued through the Swiss central mortgage institutions | 9,454 | 9,660 |
| Other long-term debt | 0 | 3 |
| Long-term debt[3] | 39,334 | 38,685 |
| Total debt issued measured at amortized cost[4] | 82,432 | 85,351 |

1 Debt with an original contractual maturity of less than one year. 2 Based on original contractual maturity without considering any early redemption features. As of 31 December 2021, 100% of the balance was unsecured (31 December 2020: 100%). 3 Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 4 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

UBS AG uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, UBS AG applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 26. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of debt issued was an increase of USD 261 million as of 31 December 2021 and an increase of USD 761 million as of 31 December 2020, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. All of the subordinated debt instruments outstanding as of 31 December 2021 pay a fixed rate of interest.

The table below shows the residual contractual maturity of the carrying amount of debt issued, split between fixed-rate and floating-rate based on the contractual terms, and does not consider any early redemption features. The effects from interest rate swaps, which are used to hedge various fixed-rate debt issuances by changing the repricing characteristics into those similar to floating-rate debt, are also not considered in the table below.

› **Refer to Note 24 for maturity information on an undiscounted cash flow basis**

**Contractual maturity of carrying amount**

| *USD million* | 2022 | 2023 | 2024 | 2025 | 2026 | 2027–2031 | Thereafter | Total 31.12.21 | Total 31.12.20 |
|---|---|---|---|---|---|---|---|---|---|
| UBS AG[1] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 38,647 | 5,578 | 1,964 | 349 | 3,439 | 1,381 | 1,213 | 52,571 | 52,618 |
| Floating-rate | 9,807 | 2,093 | 1,922 | 907 | 508 | 0 | 0 | 15,238 | 15,299 |
| Subordinated debt | | | | | | | | | |
| Fixed-rate | 2,020 | 0 | 2,596 | 337 | 210 | 0 | 0 | 5,163 | 7,744 |
| Subtotal | 50,474 | 7,671 | 6,482 | 1,594 | 4,158 | 1,381 | 1,213 | 72,972 | 75,661 |
| Other subsidiaries[2] | | | | | | | | | |
| Non-subordinated debt | | | | | | | | | |
| Fixed-rate | 907 | 1,007 | 1,072 | 1,173 | 1,045 | 3,674 | 582 | 9,460 | 9,690 |
| Subtotal | 907 | 1,007 | 1,072 | 1,173 | 1,045 | 3,674 | 582 | 9,460 | 9,690 |
| Total | 51,381 | 8,679 | 7,554 | 2,766 | 5,203 | 5,055 | 1,795 | 82,432 | 85,351 |

1 Consists of debt issued by the legal entity UBS AG. 2 Consists of debt issued by subsidiaries of UBS AG.

## Note 18 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions.

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Provisions other than provisions for expected credit losses | 3,256 | 2,534 |
| Provisions for expected credit losses | 196 | 257 |
| Total provisions | 3,452 | 2,791 |

The following table presents additional information for provisions other than provisions for expected credit losses.

| USD million | Litigation, regulatory and similar matters[1] | Restructuring | Other[3] | Total 2021 |
|---|---|---|---|---|
| Balance at the beginning of the year | 2,135 | 67 | 332 | 2,534 |
| Increase in provisions recognized in the income statement | 986 | 228 | 73 | 1,286 |
| Release of provisions recognized in the income statement | (74) | (25) | (29) | (128) |
| Provisions used in conformity with designated purpose | (189) | (130) | (76) | (396) |
| Capitalized reinstatement costs | 0 | 0 | 30 | 30 |
| Foreign currency translation / unwind of discount | (59) | (3) | (9) | (70) |
| Balance at the end of the year | 2,798 | 137[2] | 321 | 3,256 |

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Primarily consists of personnel-related restructuring provisions of USD 90 million as of 31 December 2021 (31 December 2020: USD 13 million) and provisions for onerous contracts of USD 47 million as of 31 December 2021 (31 December 2020: USD 49 million). 3 Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short period of time but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 18b. There are no material contingent liabilities associated with the other classes of provisions.

### b) 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 Note 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.

**Note 18 Provisions and contingent liabilities (continued)**

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, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our 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 we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our 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 Note 18a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital, liquidity and funding, and balance sheet" section of this report.

**Provisions for litigation, regulatory and similar matters by business division and in Group Functions[1]**

| *USD million* | Global Wealth Manage-ment | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Group Functions | Total 2021 |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 861 | 115 | 0 | 227 | 932 | 2,135 |
| Increase in provisions recognized in the income statement | 754 | 84 | 9 | 107 | 32 | 986 |
| Release of provisions recognized in the income statement | (60) | (11) | 0 | (4) | 0 | (74) |
| Provisions used in conformity with designated purpose | (175) | (1) | (1) | (10) | (2) | (189) |
| Foreign currency translation / unwind of discount | (42) | (6) | 0 | (11) | 0 | (59) |
| Balance at the end of the year | 1,338 | 181 | 8 | 310 | 962 | 2,798 |

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

### 1. Inquiries regarding cross-border wealth management businesses

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

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.

On 20 February 2019, the court of first instance returned 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 of 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. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75 million, the confiscation of EUR 1 billion, and awarded civil damages to the French state of EUR 800 million. The court also found UBS (France) SA guilty of the aiding and abetting of unlawful solicitation and ordered it to pay a fine of EUR 1.875 million. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99 million of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 December 2021 reflected provisions with respect to this matter in an amount of EUR 1.1 billion (USD 1.252 billion at 31 December 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it was under formal investigation ("*inculpé*") regarding the allegations of laundering of proceeds of tax fraud, banking and financial solicitation by unauthorized persons, and serious tax fraud. In November 2021, the Council Chamber approved a settlement with the Brussels Prosecution Office for EUR 49 million without recognition of guilt with regard to the allegations of banking and financial solicitation by unauthorized persons and serious tax fraud. The allegation of laundering of proceeds of tax fraud was dismissed.

Our balance sheet at 31 December 2021 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 we have 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 we have 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.

In 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 the Financial Institutions Reform, Recovery and Enforcement Act of 1989 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.

Our balance sheet at 31 December 2021 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 we have 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 we have recognized.

**Note 18 Provisions and contingent liabilities (continued)**

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 the Swiss Financial Market Supervisory Authority (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 totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

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

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to 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.

Since then, UBS 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 filed customer complaints and arbitration demands seeking aggregate damages of USD 3.4 billion, of which USD 3.1 billion have been resolved through settlements, arbitration or withdrawal of claims. 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 2021, the parties reached an agreement to settle this matter for USD 15 million, subject to court approval.

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. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

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

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss were granted in two of the cases; those decisions are being appealed by the plaintiffs. In the third case, defendants' motion to dismiss was denied, but on appeal that ruling was reversed and the motion to dismiss was granted.

Our balance sheet at 31 December 2021 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 we have 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 we have recognized.

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

*Foreign exchange-related regulatory matters:* Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was 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.

*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.

*LIBOR and other benchmark-related regulatory matters:* Numerous government agencies 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 was 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, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. 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. 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 January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint in September 2021.

**Note 18 Provisions and contingent liabilities (continued)**

*Other benchmark class actions in the US:*
*Yen LIBOR / Euroyen TIBOR* – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021 and plaintiffs and the remaining defendants have moved for reconsideration.

*CHF LIBOR* – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings.

*EURIBOR* – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

*SIBOR / SOR* – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants have moved to dismiss.

*BBSW* – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss. In February 2020, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021.

*GBP LIBOR* – The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

*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 was granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 December 2021 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 we have 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 we have 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 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 continues 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.

Our balance sheet at 31 December 2021 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 we have 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 we have recognized.

## Note 19 Other liabilities

### a) Other financial liabilities measured at amortized cost

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Other accrued expenses | 1,642 | 1,508 |
| Accrued interest expenses | 1,134 | 1,382 |
| Settlement and clearing accounts | 1,282 | 1,181 |
| Lease liabilities | 3,438 | 3,821 |
| Other | 2,269 | 2,530 |
| Total other financial liabilities measured at amortized cost | 9,765 | 10,421 |

### b) Other financial liabilities designated at fair value

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Financial liabilities related to unit-linked investment contracts | 21,466 | 20,975 |
| Securities financing transactions | 6,377 | 7,317 |
| Over-the-counter debt instruments | 2,128 | 2,060 |
| Funding from UBS Group AG | 2,340 | 1,375 |
| Other | 103 | 46 |
| Total other financial liabilities designated at fair value | 32,414 | 31,773 |
| *of which: life-to-date own credit (gain) / loss* | *172* | *148* |

### c) Other non-financial liabilities

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Compensation-related liabilities | 4,795 | 4,776 |
| *of which: financial advisor compensation plans* | *1,512* | *1,497* |
| *of which: other compensation plans* | *2,140* | *2,034* |
| *of which: net defined benefit liability* | *617* | *711* |
| *of which: other compensation-related liabilities*[1] | *526* | *534* |
| Deferred tax liabilities | 297 | 558 |
| Current tax liabilities | 1,365 | 943 |
| VAT and other tax payables | 524 | 470 |
| Deferred income | 225 | 212 |
| Liabilities of disposal groups held for sale[2] | 1,298 | |
| Other | 68 | 61 |
| Total other non-financial liabilities | 8,572 | 7,018 |

1 Includes liabilities for payroll taxes and untaken vacation. 2 Refer to Note 30 for more information.

# Additional information

## Note 20 Expected credit loss measurement

### a) Expected credit losses in the period

Total net credit loss releases were USD 148 million in 2021, reflecting net credit loss releases of USD 123 million related to stage 1 and 2 positions and USD 25 million net credit loss releases related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss releases of USD 123 million included a USD 68 million partial net release of a post-model adjustment, due to the continued positive trend in macroeconomic scenario input data during the year, a USD 45 million net release from a number of model and methodology changes and a residual USD 10 million net release from remeasurements within the loan book, derecognized transactions, partially offset by expenses from new transactions.

› **Refer to Note 20b for more information regarding changes to ECL model, scenarios, scenario weights and the post-model adjustment and to Note 20c for more information regarding the development of ECL allowances and provisions**

Stage 3 net releases of USD 25 million were recognized across a number of defaulted positions with a USD 24 million net release in Personal & Corporate Banking.

**Credit loss (expense) / release**

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | 28 | 62 | 0 | 34 | 0 | 123 |
| Stage 3 | 1 | 24 | (1) | 0 | 0 | 25 |
| Total credit loss (expense) / release | 29 | 86 | (1) | 34 | 0 | 148 |
| | | | | | | |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | (48) | (129) | 0 | (88) | 0 | (266) |
| Stage 3 | (40) | (128) | (2) | (217) | (42) | (429) |
| Total credit loss (expense) / release | (88) | (257) | (2) | (305) | (42) | (695) |
| | | | | | | |
| For the year ended 31.12.19 | | | | | | |
| Stages 1 and 2 | 3 | 23 | 0 | (4) | 0 | 22 |
| Stage 3 | (23) | (44) | 0 | (26) | (7) | (100) |
| Total credit loss (expense) / release | (20) | (21) | 0 | (30) | (7) | (78) |

## b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing expected credit loss (ECL) models, scenarios, scenario weights and key inputs applied.

### Governance

Comprehensive cross-functional and cross-divisional governance processes are in place and are used to discuss and approve scenario updates and weights, to assess whether significant increases in credit risk resulted in stage transfers, to review model outputs and to reach conclusions regarding post-model adjustments.

### Model changes

During 2021, the model review and enhancement process led to adjustments of the probability of default (PD), loss given default (LGD) and credit conversion factor (CCF) models, resulting in a USD 45 million decrease in ECL allowances. An amount of USD 25 million related to the *Large corporate clients* segment in the Investment Bank. The remainder related to various segments in Personal & Corporate Banking and Global Wealth Management.

### Scenario and key input updates

During 2021, the scenarios and related macroeconomic factors were updated from those that were applied at the end of 2020 by taking into account the prevailing economic and political conditions and uncertainty. As the economic development was more positive than anticipated following the COVID-19-related downturn, the forward-looking scenarios benefited from an improved forecast starting level.

The projections of the baseline scenario, which are aligned to the economic and market assumptions used for UBS AG's business planning purposes, are broadly in line with external data, such as from Bloomberg Consensus, Oxford Economics and the International Monetary Fund World Economic Outlook. The economic performance during 2021 in relevant markets, especially in the US and in Switzerland, highlighted an accelerated improvement after the COVID-19-related shocks. The scenario assumes continued growth in 2022 in all key markets, albeit at a slower rate than seen in 2021, and unemployment rates are not expected to fall noticeably below the current levels. Interest rates are expected to remain low in line with the central bank policies pursued in the Eurozone and Switzerland, and any potential rises in the US would be limited in the foreseeable future. House prices are expected to reflect the momentum and continue to rise, especially in Switzerland and, to a lesser degree, in the US.

The narrative of the hypothetical severe downside scenario, which is the Group's binding stress scenario, has been adapted and assumes that, while the immediate risks from COVID-19 have decreased, the associated disruptions and the consequences of the unprecedented monetary and fiscal stimulus measures will remain critical. Concerns regarding the sustainability of public debt, following the marked deterioration of fiscal positions, lead to a loss of confidence and market turbulence, while protectionism results in a fall in global trade. Governments and central banks have limited scope to support the economies. As a consequence, the Eurozone and China suffer a hard landing, under this scenario which severely affects the Swiss export-oriented economy, and the US economy contracts as global demand is significantly affected. Given the severity of the macroeconomic impact, unemployment rates rise to historical highs and real estate sectors contract sharply.

With effect from the second quarter, the hypothetical upside and mild downside scenarios, which were viewed as less plausible as of 31 December 2020 and had a probability weight of zero attached, were redesigned and reintroduced in the ECL calculation. These two scenarios have become more relevant following this update, as they better reflect a more positive outlook with regard to COVID-19 and market expectations regarding a potential change in central bank policies, respectively.

The upside scenario is based on positive developments following COVID-19 and strong economic activity supported by pent-up demand in certain sectors, as well as the expectation that interest rates will remain relatively low in the near future. Asset prices rise significantly, but a view that currently observed higher inflation rates are temporary and spare economic capacity would mean that consumer prices remain moderate in the first year of the scenario.

The mild downside scenario focuses on the implications of rising concerns regarding inflationary trends following a recovery from COVID-19. Higher-than-expected inflation data triggers a steepening of yield curves across the globe and leads to market volatility. Higher interest rates lead to a sell-off in assets and a period of deleveraging under this scenario. With inflation remaining high, central banks start hiking their policy rates after a few quarters, leading to further increases in interest rates and impacting corporate and private debt sustainability. A recessionary period is the consequence.

The table on the following page details the key assumptions for the four scenarios applied as of 31 December 2021.

**Note 20 Expected credit loss measurement (continued)**

### Scenario weights and post-model adjustments

With the weighting of four scenarios above 0% and considering the generally more positive outlook regarding an abating effect on the world economy from the COVID-19 pandemic, the distribution of weights shifted during 2021. As of 31 December 2021, 5 percentage points of the weight of the baseline scenario and 10 percentage points of the severe downside scenario were redistributed to the upside scenario (5%) and the mild downside scenario (10%), as shown in the table below.

Although the scenarios and weight allocation were established in line with the general market sentiment that COVID-19 has passed its peak and a gradual return to normal is the most likely path, significant uncertainties still remain. Models, which are based on supportable statistical information from past experiences regarding interdependencies of macroeconomic factors and their implications for credit risk portfolios, cannot comprehensively reflect extraordinary events, such as a pandemic or a fundamental change in the world political order. Especially in these uncertain times, it is in the realm of possibilities that the generally accepted view that the effects of COVID-19 are abating may prove to be disappointed by the emergence of new variants of the virus, which may be more harmful and may undermine current vaccination efforts. Political events involving tensions between major global forces may introduce unforeseen challenges, such as disruptions in the global supply chain and a distortion of energy markets. Such events could affect economies severely and change the baseline assumptions significantly. Rather than creating multiple additional scenarios to gauge these risks and applying model parameters that lack supportable information and cannot be robustly validated, management continued to apply significant post-model adjustments. These adjustments were benchmarked against coverage ratio levels as of 30 June 2021, when a partial net release of USD 91 million was recognized, corresponding to one third of the accumulated effect of scenario improvements, following comprehensive expert assessment and judgment, and were also deemed appropriate for year-end 2021 reporting. The post-model adjustments relating to COVID-19 amounted to USD 224 million as of 31 December 2021 (2020: USD 117 million in addition to overlays of USD 16 million for other aspects, where model results were deemed to be uncertain).

| ECL scenario | Assigned weights in % | |
|---|---|---|
| | 31.12.21 | 31.12.20 |
| Upside | 5.0 | 0.0 |
| Baseline | 55.0 | 60.0 |
| Mild downside | 10.0 | 0.0 |
| Severe downside | 30.0 | 40.0 |

**Scenario assumptions**

| | One year | | | | Three years cumulative | | | |
|---|---|---|---|---|---|---|---|---|
| 31.12.21 | Upside | Baseline | Mild downside | Severe downside | Upside | Baseline | Mild downside | Severe downside |
| Real GDP growth (% change) | | | | | | | | |
| United States | 9.1 | 4.4 | (0.1) | (5.9) | 17.8 | 10.1 | 1.8 | (3.8) |
| Eurozone | 9.4 | 3.9 | (0.1) | (8.7) | 17.3 | 7.5 | 0.9 | (10.3) |
| Switzerland | 5.5 | 2.4 | (0.9) | (6.6) | 13.1 | 5.8 | (0.1) | (5.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 3.1 | 2.2 | 5.7 | (1.2) | 9.5 | 6.3 | 13.0 | 0.4 |
| Eurozone | 2.3 | 1.4 | 4.2 | (1.3) | 8.0 | 4.8 | 10.4 | (1.7) |
| Switzerland | 1.8 | 0.3 | 3.5 | (1.8) | 6.1 | 1.7 | 9.0 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 6.1 | 10.9 | 3.0 | 3.5 | 7.2 | 10.8 |
| Eurozone | 6.2 | 7.4 | 8.7 | 12.9 | 6.0 | 7.2 | 9.1 | 15.1 |
| Switzerland | 2.3 | 2.5 | 3.4 | 5.2 | 1.6 | 2.3 | 4.2 | 5.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 50.0 | 16.5 | 259.2 | (50.0) | 170.0 | 41.2 | 329.2 | (15.0) |
| EUR | 40.0 | 11.1 | 283.8 | (35.0) | 140.0 | 34.9 | 349.3 | (25.0) |
| CHF | 50.0 | 12.1 | 245.5 | (70.0) | 150.0 | 34.4 | 307.3 | (35.0) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 12.0 | 14.1 | (27.0) | (50.2) | 35.5 | 24.7 | (21.8) | (40.1) |
| EuroStoxx 50 | 16.0 | 12.3 | (23.4) | (57.6) | 41.6 | 20.7 | (19.9) | (50.4) |
| SPI | 14.0 | 12.1 | (22.9) | (53.6) | 37.9 | 19.1 | (19.6) | (44.2) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 5.1 | 4.4 | (4.3) | (17.0) | 15.5 | 7.4 | (8.8) | (30.0) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 10.0 | 3.5 | (2.3) | (9.5) | 21.7 | 7.1 | (8.7) | (26.3) |
| Eurozone (House Price Index) | 8.4 | 5.1 | (4.0) | (5.4) | 17.8 | 9.6 | (7.6) | (10.8) |

## Note 20 Expected credit loss measurement (continued)

| **Scenario assumptions** | One year | | Three years cumulative | |
|---|---|---|---|---|
| 31.12.20 | Baseline | Severe downside | Baseline | Severe downside |
| Real GDP growth (% change) | | | | |
| United States | 2.7 | (5.9) | 9.1 | (3.8) |
| Eurozone | 2.5 | (8.7) | 9.9 | (10.3) |
| Switzerland | 3.3 | (6.6) | 9.0 | (5.7) |
| Consumer price index (% change) | | | | |
| United States | 1.7 | (1.2) | 5.5 | 0.4 |
| Eurozone | 1.4 | (1.3) | 3.9 | (1.7) |
| Switzerland | 0.3 | (1.8) | 0.9 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | |
| United States | 5.5 | 12.1 | 4.5 | 9.9 |
| Eurozone | 9.5 | 14.1 | 8.0 | 16.4 |
| Switzerland | 3.8 | 6.1 | 3.2 | 6.8 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | |
| USD | 22.0 | (50.0) | 46.0 | (15.0) |
| EUR | 4.0 | (35.0) | 21.0 | (25.0) |
| CHF | 13.0 | (70.0) | 31.0 | (35.0) |
| Equity indices (% change) | | | | |
| S&P 500 | (2.9) | (50.2) | (1.7) | (40.1) |
| EuroStoxx 50 | 3.8 | (57.6) | 13.5 | (50.4) |
| SPI | (0.8) | (53.6) | 5.8 | (44.2) |
| Swiss real estate (% change) | | | | |
| Single-Family Homes | 3.4 | (17.0) | 7.1 | (30.0) |
| Other real estate (% change) | | | | |
| United States (S&P / Case-Shiller) | 2.5 | (15.3) | 9.2 | (28.7) |
| Eurozone (House Price Index) | 1.1 | (22.9) | 7.2 | (35.4) |

### c) Development of ECL allowances and provisions

The ECL allowances and provisions recognized in the period are impacted by a variety of factors, such as:
- origination of new instruments during the period;
- effect of passage of time as the ECLs on an instrument for the remaining lifetime decrease (all other factors remaining the same);
- discount unwind within ECLs as it is measured on a present value basis;
- derecognition of instruments in the period;
- change in individual asset quality of instruments;
- effect of updating forward-looking scenarios and the respective weights;
- movements from a maximum 12-month ECL to the recognition of lifetime ECLs (and vice versa) following transfers between stages 1 and 2;
- movements from stages 1 and 2 to stage 3 (credit-impaired status) when default has become certain and PD increases to 100% (or vice versa);
- changes in models or updates to model parameters;
- write-off; and
- foreign exchange translations for assets denominated in foreign currencies and other movements.

## Note 20 Expected credit loss measurement (continued)

The following table explains the changes in the ECL allowances and provisions for on- and off-balance sheet financial instruments and credit lines in scope of ECL requirements between the beginning and the end of the period due to the factors listed on the previous page.

**Development of ECL allowances and provisions**

| *USD million* | Total | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |
| Net movement from new and derecognized transactions[1] | (59) | (72) | 13 | 0 |
| *of which: Private clients with mortgages* | *(7)* | *(10)* | *3* | *0* |
| *of which: Real estate financing* | *(7)* | *(11)* | *4* | *0* |
| *of which: Large corporate clients* | *(13)* | *(21)* | *7* | *0* |
| *of which: SME clients* | *(8)* | *(8)* | *0* | *0* |
| *of which: Other* | *(24)* | *(23)* | *(2)* | *0* |
| *of which: Financial intermediaries and hedge funds* | *(21)* | *(18)* | *(4)* | *0* |
| *of which: Loans to financial advisors* | *0* | *(1)* | *1* | *0* |
| Remeasurements with stage transfers[2] | (40) | 8 | 0 | (49) |
| *of which: Private clients with mortgages* | *(9)* | *4* | *(13)* | *0* |
| *of which: Real estate financing* | *(3)* | *1* | *(4)* | *0* |
| *of which: Large corporate clients* | *2* | *(2)* | *12* | *(8)* |
| *of which: SME clients* | *(27)* | *5* | *4* | *(36)* |
| *of which: Other* | *(3)* | *0* | *2* | *(4)* |
| *of which: Financial intermediaries and hedge funds* | *2* | *(1)* | *3* | *0* |
| *of which: Loans to financial advisors* | *0* | *1* | *(1)* | *0* |
| Remeasurements without stage transfers[3] | 203 | 55 | 74 | 74 |
| *of which: Private clients with mortgages* | *33* | *8* | *26* | *(1)* |
| *of which: Real estate financing* | *30* | *13* | *13* | *3* |
| *of which: Large corporate clients* | *44* | *5* | *21* | *17* |
| *of which: SME clients* | *53* | *(1)* | *1* | *53* |
| *of which: Other* | *44* | *29* | *14* | *2* |
| *of which: Financial intermediaries and hedge funds* | *27* | *15* | *12* | *0* |
| *of which: Loans to financial advisors* | *6* | *8* | *1* | *(3)* |
| Model changes[4] | 45 | 29 | 16 | 0 |
| Movements with profit or loss impact[5] | 148 | 19 | 104 | 25 |
| Movements without profit or loss impact (write-off, FX and other)[6] | 154 | 5 | 9 | 141 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

In 2021, ECL allowances and provisions decreased by USD 148 million from net credit loss releases impacting profit or loss:

- a USD 59 million net increase from new and derecognized transactions that resulted from a USD 72 million stage 1 increase primarily in the corporate lending and real estate lending portfolio, offset by a USD 13 million net release from stage 2 positions, driven by positions that were terminated before their contractual maturity;
- a USD 163 million net decrease from book quality movements that resulted from a USD 203 million net decrease from remeasurements without stage transfers, with approximately half of that related to corporate lending – another significant portion related to real estate related lending, primarily due to the partial release of a post-model adjustment, partially offset by USD 40 million from transactions moving from stages 1 and 2 into stages 2 and 3, respectively, primarily related to SME clients; and
- a USD 45 million net decrease that resulted from a number of model changes. An amount of USD 25 million related to the *Large corporate clients* segment in the Investment Bank. The remainder related to various segments in Personal & Corporate Banking and Global Wealth Management.

In addition to the movements impacting profit or loss, allowances decreased by USD 154 million as a result of USD 137 million of write offs and USD 18 million from foreign exchange and other movements, both of which did not impact the income statement.

## Note 20 Expected credit loss measurement (continued)

**Development of ECL allowances and provisions**

| USD million | Total | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Balance as of 31 December 2019 | (1,029) | (181) | (160) | (688) |
| Net movement from new and derecognized transactions[1] | (28) | (90) | 17 | 46 |
| *of which: Private clients with mortgages* | *(2)* | *(3)* | *2* | *0* |
| *of which: Real estate financing* | *(3)* | *(5)* | *2* | *0* |
| *of which: Large corporate clients* | *(32)* | *(29)* | *(4)* | *0* |
| *of which: SME clients* | *(16)* | *(14)* | *(3)* | *0* |
| *of which: Other* | *26* | *(39)* | *20* | *46* |
| *of which: Securities financing transactions REIT* | *32* | *(1)* | *15* | *17* |
| *of which: Loans to financial advisors* | *9* | *(1)* | *9* | *0* |
| *of which: Lombard loans* | *23* | *(6)* | *0* | *29* |
| *of which Financial intermediaries* | *(20)* | *(15)* | *(5)* | *0* |
| Remeasurements with stage transfers[2] | (427) | 45 | (134) | (338) |
| *of which: Private clients with mortgages* | *(19)* | *(2)* | *(17)* | *0* |
| *of which: Real estate financing* | *(6)* | *3* | *(9)* | *0* |
| *of which: Large corporate clients* | *(224)* | *34* | *(83)* | *(175)* |
| *of which: SME clients* | *(43)* | *(1)* | *(11)* | *(31)* |
| *of which: Other* | *(134)* | *11* | *(14)* | *(131)* |
| *of which: Securities financing transactions REIT* | *(36)* | *0* | *(18)* | *(19)* |
| *of which: Loans to financial advisors* | *(12)* | *7* | *(7)* | *(11)* |
| *of which: Lombard loans* | *(36)* | *0* | *0* | *(36)* |
| *of which Commodity trade finance* | *(59)* | *0* | *0* | *(59)* |
| Remeasurements without stage transfers[3] | (271) | (88) | (47) | (136) |
| *of which: Private clients with mortgages* | *(34)* | *(19)* | *(8)* | *(7)* |
| *of which: Real estate financing* | *(14)* | *(4)* | *(11)* | *1* |
| *of which: Large corporate clients* | *(149)* | *(53)* | *(17)* | *(79)* |
| *of which: SME clients* | *(13)* | *0* | *(7)* | *(6)* |
| *of which: Other* | *(60)* | *(11)* | *(4)* | *(44)* |
| *of which: Loans to financial advisors* | *(18)* | *(12)* | *(3)* | *(3)* |
| *of which: Lombard loans* | *(3)* | *6* | *0* | *(9)* |
| *of which: Credit cards* | *(12)* | *0* | *0* | *(12)* |
| Model changes[4] | 32 | 21 | 11 | 0 |
| Movements with profit or loss impact[5] | (694) | (112) | (154) | (429) |
| Movements without profit or loss impact (write-off, FX and other)[6] | 254 | (14) | (19) | 287 |
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

As explained in Note 1a, the assessment of a significant increase in credit risk (SICR) considers a number of qualitative and quantitative factors to determine whether a stage transfer between stage 1 and stage 2 is required, although the primary assessment considers changes in PD based on rating analyses and economic outlook. Additionally, UBS AG takes into consideration counterparties that have moved to a credit watch list and those with payments that are at least 30 days past due.

**ECL stage 2 ("significant deterioration in credit risk") allowances / provisions as of 31 December 2021 – classification by trigger**

| *USD million* | Stage 2 | *of which: PD layer* | *of which: watch list* | *of which: ≥30 days past due* |
|---|---|---|---|---|
| On-and off-balance sheet | (220) | *(158)* | *(22)* | *(39)* |
| *of which: Private clients with mortgages* | *(71)* | *(54)* | *0* | *(17)* |
| *of which: Real estate financing* | *(43)* | *(38)* | *0* | *(4)* |
| *of which: Large corporate clients* | *(55)* | *(40)* | *(15)* | *0* |
| *of which: SME clients* | *(30)* | *(19)* | *(7)* | *(4)* |
| *of which: Financial intermediaries and hedge funds* | *(6)* | *(6)* | *0* | *0* |
| *of which: Loans to financial advisors* | *(3)* | *0* | *0* | *(3)* |
| *of which: Credit cards* | *(11)* | *0* | *0* | *(11)* |
| *of which: Other* | *(1)* | *(1)* | *0* | *0* |

## Note 20 Expected credit loss measurement (continued)

### d) Maximum exposure to credit risk

The tables below provide UBS AG's maximum exposure to credit risk for financial instruments subject to ECL requirements and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS.

**Maximum exposure to credit risk**

| | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral[1,2] | | | | Credit enhancements[1] | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateralized by securities | Secured by real estate | Other collateral[3] | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 192.8 | | | | | | | | 192.8 |
| Loans and advances to banks[4] | 15.4 | | 0.1 | | | | | 0.1 | 15.1 |
| Receivables from securities financing transactions | 75.0 | 0.0 | 68.0 | | 6.9 | | | | 0.0 |
| Cash collateral receivables on derivative instruments[5,6] | 30.5 | | | | | 18.4 | | | 12.1 |
| Loans and advances to customers[7] | 398.7 | 38.2 | 128.7 | 191.3 | 20.2 | | | 4.0 | 16.4 |
| Other financial assets measured at amortized cost | 26.2 | 0.2 | 0.1 | 0.0 | 1.3 | | | | 24.7 |
| Total financial assets measured at amortized cost | 738.6 | 38.4 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 261.1 |
| Financial assets measured at fair value through other comprehensive income – debt | 8.8 | | | | | | | | 8.8 |
| Total maximum exposure to credit risk reflected on the balance sheet in scope of ECL | 747.5 | 38.4 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 270.0 |
| Guarantees[8] | 20.9 | 1.3 | 6.5 | 0.2 | 2.5 | | | 2.3 | 8.1 |
| Loan commitments[8] | 39.4 | 0.5 | 4.0 | 2.4 | 7.3 | | 0.3 | 1.7 | 23.1 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | 1.4 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 42.3 | 0.3 | 9.0 | 6.2 | 3.9 | | | 0.5 | 22.5 |
| Total maximum exposure to credit risk not reflected on the balance sheet, in scope of ECL | 104.1 | 2.2 | 20.9 | 8.7 | 13.7 | 0.0 | 0.3 | 4.5 | 53.7 |

| | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral[1,2] | | | | Credit enhancements[1] | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateralized by securities | Secured by real estate | Other collateral[3] | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 158.2 | | | | | | | | 158.2 |
| Loans and advances to banks[4] | 15.3 | | 0.1 | | | | | | 15.2 |
| Receivables from securities financing transactions | 74.2 | 0.0 | 67.1 | | 7.0 | | | | 0.0 |
| Cash collateral receivables on derivative instruments[5,6] | 32.7 | | | | | 21.1 | | | 11.6 |
| Loans and advances to customers[7] | 381.0 | 27.0 | 118.2 | 194.6 | 21.7 | | 0.0 | 4.4 | 15.1 |
| Other financial assets measured at amortized cost | 27.2 | 0.1 | 0.2 | 0.0 | 1.3 | | | | 25.5 |
| Total financial assets measured at amortized cost | 688.7 | 27.2 | 185.7 | 194.6 | 30.1 | 21.1 | 0.0 | 4.4 | 225.6 |
| Financial assets measured at fair value through other comprehensive income – debt | 8.3 | | | | | | | | 8.3 |
| Total maximum exposure to credit risk reflected on the balance sheet in scope of ECL | 697.0 | 27.2 | 185.7 | 194.6 | 30.1 | 21.1 | 0.0 | 4.4 | 233.9 |
| Guarantees[8] | 17.0 | 0.7 | 5.0 | 0.2 | 1.7 | | | 2.5 | 7.0 |
| Loan commitments[8] | 41.2 | 0.0 | 4.2 | 2.1 | 6.8 | | 0.4 | 2.4 | 25.3 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.2 | | 3.2 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 42.0 | 0.1 | 10.3 | 6.2 | 2.7 | | | 0.0 | 22.7 |
| Total maximum exposure to credit risk not reflected on the balance sheet, in scope of ECL | 103.5 | 0.8 | 22.7 | 8.5 | 11.2 | 0.0 | 0.4 | 4.9 | 54.9 |

1 Of which: USD 1,443 million for 31 December 2021 (31 December 2020: USD 1,983 million) relates to total credit-impaired financial assets measured at amortized cost and USD 130 million for 31 December 2021 (31 December 2020: USD 154 million) to total off-balance sheet financial instruments and credit lines for credit-impaired positions. 2 Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. UBS AG applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. 3 Includes but is not limited to life insurance contracts, inventory, mortgage loans, gold and other commodities. 4 Loans and advances to banks include amounts held with third-party banks on behalf of clients. The credit risk associated with these balances may be borne by those clients. 5 Included within Cash collateral receivables on derivative instruments are margin balances due from exchanges or clearing houses. Some of these margin balances reflect amounts transferred on behalf of clients who retain the associated credit risk. 6 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. 7 In 2021, the collateral allocation was updated to reflect additional cash collateral and custody accounts that are also available as security for certain on-balance sheet lending. This resulted in an increase in loans secured by cash, with an offsetting reduction in loans secured by real estate and loans secured by securities. 8 The amount shown in the "Guarantees" column includes sub-participations.

## Note 20 Expected credit loss measurement (continued)

### e) Financial assets subject to credit risk by rating category

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects the Group's assessment of the probability of default of individual counterparties, prior to substitutions. The amounts presented are gross of impairment allowances.

› **Refer to the "Risk management and control" section of this report for more details regarding the Group's internal grading system**

**Financial assets subject to credit risk by rating category**

| *USD million* | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) |
| Financial assets measured at amortized cost | | | | | | | | | |
| Cash and balances at central banks | 191,015 | 1,802 | 0 | 0 | 0 | 0 | 192,817 | 0 | 192,817 |
| *of which: stage 1* | *191,015* | *1,802* | *0* | *0* | *0* | *0* | *192,817* | *0* | *192,817* |
| Loans and advances to banks | 407 | 12,552 | 1,123 | 795 | 490 | 1 | 15,368 | (8) | 15,360 |
| *of which: stage 1* | *407* | *12,552* | *1,098* | *795* | *488* | *0* | *15,340* | *(7)* | *15,333* |
| *of which: stage 2* | *0* | *0* | *24* | *0* | *2* | *0* | *27* | *(1)* | *26* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *1* | *1* | *0* | *1* |
| Receivables from securities financing transactions | 34,386 | 11,267 | 10,483 | 17,440 | 1,439 | 0 | 75,014 | (2) | 75,012 |
| *of which: stage 1* | *34,386* | *11,267* | *10,483* | *17,440* | *1,439* | *0* | *75,014* | *(2)* | *75,012* |
| Cash collateral receivables on derivative instruments | 7,466 | 13,476 | 5,878 | 3,647 | 47 | 0 | 30,514 | 0 | 30,514 |
| *of which: stage 1* | *7,466* | *13,476* | *5,878* | *3,647* | *47* | *0* | *30,514* | *0* | *30,514* |
| Loans and advances to customers | 5,295 | 232,663 | 67,620 | 70,394 | 21,423 | 2,148 | 399,543 | (850) | 398,693 |
| *of which: stage 1* | *5,295* | *231,583* | *65,083* | *63,298* | *16,362* | *0* | *381,622* | *(126)* | *381,496* |
| *of which: stage 2* | *0* | *1,080* | *2,536* | *7,096* | *5,061* | *0* | *15,773* | *(152)* | *15,620* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *2,148* | *2,148* | *(572)* | *1,577* |
| Other financial assets measured at amortized cost | 12,564 | 6,705 | 321 | 6,097 | 394 | 264 | 26,346 | (109) | 26,236 |
| *of which: stage 1* | *12,564* | *6,696* | *307* | *5,887* | *317* | *0* | *25,772* | *(27)* | *25,746* |
| *of which: stage 2* | *0* | *10* | *13* | *209* | *77* | *0* | *309* | *(7)* | *302* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *264* | *264* | *(76)* | *189* |
| Total financial assets measured at amortized cost | 251,133 | 278,465 | 85,424 | 98,372 | 23,793 | 2,414 | 739,601 | (969) | 738,632 |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 3,996 | 4,771 | 0 | 77 | 0 | 0 | 8,844 | 0 | 8,844 |
| Total on-balance sheet financial instruments | 255,130 | 283,236 | 85,424 | 98,449 | 23,793 | 2,414 | 748,445 | (969) | 747,477 |

**Off-balance sheet positions subject to expected credit loss by rating category**

| *USD million* | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total off - balance sheet exposure (maximum exposure to credit risk) | ECL provisions |
| Off-balance sheet financial instruments | | | | | | | | |
| Guarantees | 4,457 | 7,064 | 4,535 | 3,757 | 1,009 | 150 | 20,972 | (41) |
| *of which: stage 1* | *4,457* | *7,037* | *4,375* | *3,075* | *752* | *0* | *19,695* | *(18)* |
| *of which: stage 2* | *0* | *27* | *160* | *682* | *258* | *0* | *1,127* | *(8)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *150* | *150* | *(15)* |
| Irrevocable loan commitments | 2,797 | 14,183 | 7,651 | 8,298 | 6,502 | 46 | 39,478 | (114) |
| *of which: stage 1* | *2,797* | *13,917* | *7,416* | *7,127* | *5,840* | *0* | *37,097* | *(72)* |
| *of which: stage 2* | *0* | *266* | *235* | *1,171* | *663* | *0* | *2,335* | *(42)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *46* | *46* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 0 | 0 | 55 | 1,389 | 0 | 0 | 1,444 | 0 |
| Total off balance sheet financial instruments | 7,254 | 21,247 | 12,241 | 13,444 | 7,512 | 196 | 61,894 | (155) |
| Credit lines | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,636 | 16,811 | 8,627 | 10,130 | 4,107 | 63 | 42,373 | (38) |
| *of which: stage 1* | *2,636* | *16,467* | *8,304* | *8,724* | *3,671* | *0* | *39,802* | *(28)* |
| *of which: stage 2* | *0* | *344* | *323* | *1,406* | *436* | *0* | *2,508* | *(10)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *63* | *63* | *0* |
| Irrevocable committed prolongation of existing loans | 17 | 2,438 | 1,422 | 1,084 | 602 | 48 | 5,611 | (3) |
| *of which: stage 1* | *17* | *2,438* | *1,422* | *1,082* | *568* | *0* | *5,527* | *(3)* |
| *of which: stage 2* | *0* | *0* | *0* | *1* | *34* | *0* | *36* | *0* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *48* | *48* | *0* |
| Total credit lines | 2,653 | 19,249 | 10,049 | 11,214 | 4,709 | 111 | 47,984 | (41) |

1 Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

## Note 20 Expected credit loss measurement (continued)

**Financial assets subject to credit risk by rating category**

| USD million | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) |
| Financial assets measured at amortized cost | | | | | | | | | |
| Cash and balances at central banks | 156,250 | 1,981 | 0 | 0 | 0 | 0 | 158,231 | 0 | 158,231 |
| *of which: stage 1* | *156,250* | *1,981* | *0* | *0* | *0* | *0* | *158,231* | *0* | *158,231* |
| Loans and advances to banks | 543 | 12,029 | 1,344 | 1,182 | 260 | 1 | 15,360 | (16) | 15,344 |
| *of which: stage 1* | *543* | *11,974* | *1,277* | *1,145* | *231* | *0* | *15,170* | *(9)* | *15,160* |
| *of which: stage 2* | *0* | *55* | *67* | *37* | *29* | *0* | *189* | *(5)* | *184* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *1* | *1* | *(1)* | *0* |
| Receivables from securities financing transactions | 22,998 | 16,009 | 15,367 | 17,995 | 1,842 | 0 | 74,212 | (2) | 74,210 |
| *of which: stage 1* | *22,998* | *16,009* | *15,367* | *17,995* | *1,842* | *0* | *74,212* | *(2)* | *74,210* |
| Cash collateral receivables on derivative instruments | 8,196 | 13,477 | 7,733 | 3,243 | 88 | 0 | 32,737 | 0 | 32,737 |
| *of which: stage 1* | *8,196* | *13,477* | *7,733* | *3,243* | *88* | *0* | *32,737* | *0* | *32,737* |
| Loans and advances to customers | 5,813 | 215,755 | 67,270 | 69,217 | 21,038 | 2,943 | 382,036 | (1,060) | 380,977 |
| *of which: stage 1* | *5,813* | *214,418* | *63,000* | *59,447* | *15,860* | *0* | *358,538* | *(142)* | *358,396* |
| *of which: stage 2* | *0* | *1,338* | *4,269* | *9,770* | *5,178* | *0* | *20,556* | *(215)* | *20,341* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *2,943* | *2,943* | *(703)* | *2,240* |
| Other financial assets measured at amortized cost | 15,404 | 4,043 | 280 | 6,585 | 481 | 560 | 27,352 | (133) | 27,219 |
| *of which: stage 1* | *15,404* | *4,040* | *269* | *6,334* | *389* | *0* | *26,435* | *(34)* | *26,401* |
| *of which: stage 2* | *0* | *3* | *11* | *251* | *91* | *0* | *357* | *(9)* | *348* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *560* | *560* | *(90)* | *469* |
| Total financial assets measured at amortized cost | 209,204 | 263,295 | 91,993 | 98,223 | 23,709 | 3,505 | 689,929 | (1,211) | 688,717 |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 3,212 | 5,014 | 0 | 32 | 0 | 0 | 8,258 | 0 | 8,258 |
| Total on-balance sheet financial instruments | 212,417 | 268,309 | 91,993 | 98,255 | 23,709 | 3,505 | 698,187 | (1,211) | 696,976 |

**Off-balance sheet positions subject to expected credit loss by rating category**

| USD million | 31.12.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rating category[1] | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total off - balance sheet exposure (maximum exposure to credit risk) | ECL provisions |
| Off-balance sheet financial instruments | | | | | | | | |
| Guarantees | 3,482 | 4,623 | 3,522 | 4,293 | 991 | 170 | 17,081 | (63) |
| *of which: stage 1* | *3,482* | *4,219* | *2,688* | *3,558* | *739* | *0* | *14,687* | *(14)* |
| *of which: stage 2* | *0* | *404* | *834* | *736* | *252* | *0* | *2,225* | *(15)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *170* | *170* | *(34)* |
| Irrevocable loan commitments | 3,018 | 14,516 | 8,583 | 9,302 | 5,850 | 104 | 41,372 | (142) |
| *of which: stage 1* | *3,018* | *13,589* | *6,873* | *8,739* | *4,676* | *0* | *36,894* | *(74)* |
| *of which: stage 2* | *0* | *927* | *1,711* | *563* | *1,174* | *0* | *4,374* | *(68)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *104* | *104* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 82 | 150 | 0 | 3,015 | 0 | 0 | 3,247 | 0 |
| Total off balance sheet financial instruments | 6,583 | 19,289 | 12,105 | 16,610 | 6,840 | 273 | 61,700 | (205) |
| Credit lines | | | | | | | | |
| Committed unconditionally revocable credit lines | 574 | 15,448 | 5,958 | 8,488 | 11,501 | 108 | 42,077 | (50) |
| *of which: stage 1* | *574* | *14,883* | *4,517* | *6,609* | *10,593* | *0* | *37,176* | *(29)* |
| *of which: stage 2* | *0* | *565* | *1,441* | *1,879* | *908* | *0* | *4,792* | *(21)* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *108* | *108* | *0* |
| Irrevocable committed prolongation of existing loans | 14 | 1,349 | 931 | 632 | 357 | 0 | 3,282 | (2) |
| *of which: stage 1* | *14* | *1,349* | *930* | *630* | *355* | *0* | *3,277* | *(2)* |
| *of which: stage 2* | *0* | *1* | *1* | *2* | *1* | *0* | *5* | *0* |
| *of which: stage 3* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Total credit lines | 588 | 16,797 | 6,889 | 9,119 | 11,858 | 109 | 45,359 | (52) |

1 Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

## Note 20 Expected credit loss measurement (continued)

### f) Sensitivity information

As outlined in Note 1a, ECL estimates involve significant uncertainties at the time they are made.

#### ECL model

The models applied to determine point-in-time PD and LGD rely on market and statistical data, which has been found to correlate well with historically observed defaults in sufficiently homogeneous segments. The risk sensitivities for each of the ECL reporting segments to such factors are summarized in Note 9.

#### Forward-looking scenarios

Depending on the scenario selection and related macro-economic assumptions for the risk factors, the components of the relevant weighted average ECL change. This is particularly relevant for interest rates, which can move in both directions under a given growth assumption (for example, low growth with high interest rates in a stagflation scenario, versus low growth and falling interest rates in a recession). Management generally looks for scenario narratives that reflect the key risk drivers of a given credit portfolio.

As forecasting models are complex, due to the combination of multiple factors, simple what-if analyses involving a change of individual parameters do not necessarily provide realistic information on the exposure of segments to changes in the macroeconomy. Portfolio-specific analyses based on their key risk factors would also not be meaningful, as potential compensatory effects in other segments would be ignored. The table below indicates some sensitivities to ECLs if a key macroeconomic variable for the forecasting period is amended across all scenarios with all other factors remaining unchanged.

**Potential effect on stage 1 and stage 2 positions from changing key parameters as of 31 December 2021**

| *USD million* | Baseline | Upside | Mild downside | Severe downside | Weighted average |
|---|---|---|---|---|---|
| Change in key parameters | | | | | |
| Fixed income: Government bonds (absolute change) | | | | | |
| −0.50% | (1) | 0 | (29) | (9) | (4) |
| +0.50% | 1 | 1 | 39 | 11 | 5 |
| +1.00% | 4 | 2 | 88 | 23 | 14 |
| Unemployment rate (absolute change) | | | | | |
| −1.00% | (2) | (2) | (30) | (48) | (13) |
| −0.50% | (1) | (1) | (17) | (27) | (7) |
| +0.50% | 1 | 1 | 21 | 31 | 8 |
| +1.00% | 3 | 2 | 47 | 68 | 18 |
| Real GDP growth (relative change) | | | | | |
| −2.00% | 4 | 2 | 8 | 17 | 10 |
| −1.00% | 2 | 1 | 4 | 8 | 5 |
| +1.00% | (1) | 0 | (10) | (8) | (4) |
| +2.00% | (2) | 0 | (14) | (16) | (7) |
| House Price Index (relative change) | | | | | |
| −5.00% | 6 | 4 | 50 | 73 | 24 |
| −2.50% | 3 | 2 | 24 | 34 | 12 |
| +2.50% | (2) | (1) | (26) | (31) | (11) |
| +5.00% | (4) | (3) | (46) | (31) | (13) |
| Equity (S&P500, EuroStoxx, SMI) (relative change) | | | | | |
| −10.00% | 2 | 2 | 5 | 6 | 5 |
| −5.00% | 1 | 0 | 2 | 3 | 2 |
| +5.00% | (1) | 0 | (2) | (3) | (2) |
| +10.00% | (2) | 0 | (4) | (6) | (3) |

**Note 20 Expected credit loss measurement (continued)**

Sensitivities can be more meaningfully assessed in the context of coherent scenarios with consistently developed macroeconomic factors. The table on the previous page outlines favorable and unfavorable effects, based on reasonably possible alternative changes to the economic conditions for stage 1 and stage 2 positions. The ECL impact is calculated for material portfolios and disclosed for each scenario.

The forecasting horizon is limited to three years, with a model-based mean reversion of PD and LGD assumed thereafter. Changes to these timelines may have an effect on ECLs: depending on the cycle, a longer or shorter forecasting horizon will lead to different annualized lifetime PD and average LGD estimations. This is currently not deemed to be material for UBS AG, as a large proportion of loans, including mortgages in Switzerland, have maturities that are within the forecasting horizon.

## Scenario weights

ECL is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses.

As shown in the table on the bottom of this page, the ECL for stage 1 and stage 2 positions would have been USD 387 million (31 December 2020: USD 442 million) instead of USD 503 million (31 December 2020: USD 639 million) if ECL had been determined solely on the baseline scenario. The weighted average ECL therefore amounts to 130% (31 December 2020: 145%) of the baseline value. The effects of weighting each of the four scenarios 100% are shown in the table below.

## Stage allocation and SICR

The determination of what constitutes an SICR is based on management judgment, as explained in Note 1a. Changing the SICR trigger will have a direct effect on ECLs, as more or fewer positions would be subject to lifetime ECLs under any scenario.

The relevance of the SICR trigger on overall ECL is demonstrated in the table below with the indication that the ECL allowances and provisions for stage 1 and stage 2 positions would have been USD 1,060 million if all non-impaired positions across the portfolio had been measured for lifetime ECLs irrespective of their actual SICR status. This amount compares to actual stage 1 and 2 allowances and provisions of USD 503 million as of 31 December 2021.

**Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2021**

| | Actual ECL allowances and provisions, including staging (as per Note 9) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL |
|---|---|---|---|---|---|---|
| Scenarios | Weighted average | 100% Baseline | 100% Upside | 100% Mild downside | 100% Severe downside | Weighted average |
| *USD million, except where indicated* | | | | | | |
| Segmentation | | | | | | |
| Private clients with mortgages | (95) | (53) | (52) | (119) | (207) | (277) |
| Real estate financing | (62) | (50) | (48) | (101) | (97) | (118) |
| Large corporate clients | (150) | (116) | (107) | (148) | (244) | (257) |
| SME clients | (65) | (56) | (55) | (71) | (91) | (117) |
| Other segments | (130) | (112) | (108) | (135) | (166) | (291) |
| Total | (503) | (387) | (370) | (574) | (806) | (1,060) |

## Maturity profile

The maturity profile is an important driver for changes in ECL due to transfers to stage 2 and from stage 2 to stage 1. The current maturity profile of most lending books is relatively short; hence a movement to stage 2 may have a moderate effect on ECLs. A significant portion of our lending to SMEs is documented under multi-purpose credit agreements, which allow for various forms of utilization but are unconditionally cancelable by UBS AG at any time. For drawings under such agreements with a fixed maturity the respective term is applied for ECL calculations, or a maximum of 12 months in stage 1. For unused credit lines and all drawings that have no fixed maturity (e.g., current accounts), UBS AG generally applies a 12-month maturity from the reporting date, given the credit review policies, which require either continuous monitoring of key indicators and behavioral patterns for smaller positions or an annual formal review for any other limit. The ECLs for these products are sensitive to shortening or extending the maturity assumption.

## Note 21 Fair value measurement

### a) Valuation principles

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with IFRS. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Fair values are determined using quoted prices in active markets for identical assets or liabilities, where available. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation adjustments may be made to allow for additional factors, including model, liquidity, credit and funding risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when establishing a price. The limitations inherent in a particular valuation technique are considered in the determination of the classification of an asset or liability within the fair value hierarchy. Generally, the unit of account for a financial instrument is the individual instrument, and UBS applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS may estimate the fair value of a portfolio of financial assets and liabilities with substantially similar and offsetting risk exposures on the basis of the net open risks.

› **Refer to Note 21d for more information**

### b) Valuation governance

UBS's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders from the risk and finance control functions. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value is with the business divisions.

Fair value estimates are validated by the risk and finance control functions, which are independent of the business divisions. Independent price verification is performed by Finance through benchmarking the business divisions' fair value estimates with observable market prices and other independent sources. A governance framework and associated controls are in place in order to monitor the quality of third-party pricing sources where used. For instruments where valuation models are used to determine fair value, independent valuation and model control groups within Finance and Risk Control evaluate UBS's models on a regular basis, including valuation and model input parameters, as well as pricing. As a result of the valuation controls employed, valuation adjustments may be made to the business divisions' estimates of fair value to align with independent market data and the relevant accounting standard.

› **Refer to Note 21d for more information**

## Note 21 Fair value measurement (continued)

### c) Fair value hierarchy

The table below provides the fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value. The narrative that follows describes valuation techniques used in measuring their fair value of different product types (including significant valuation inputs and assumptions used), and the factors considered in determining their classification within the fair value hierarchy.

**Determination of fair values from quoted market prices or valuation techniques[1]**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 113,722 | 15,012 | 2,299 | 131,033 | 107,526 | 15,630 | 2,337 | 125,492 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *97,983* | *1,090* | *149* | *99,222* | *90,327* | *1,101* | *171* | *91,599* |
| *Government bills / bonds* | *7,135* | *1,351* | *10* | *8,496* | *9,028* | *2,207* | *10* | *11,245* |
| *Investment fund units* | *7,843* | *1,364* | *21* | *9,229* | *7,374* | *1,794* | *23* | *9,192* |
| *Corporate and municipal bonds* | *708* | *7,791* | *556* | *9,055* | *789* | *8,432* | *817* | *10,038* |
| *Loans* | *0* | *3,099* | *1,443* | *4,542* | *0* | *1,860* | *1,134* | *2,995* |
| *Asset-backed securities* | *53* | *317* | *120* | *489* | *8* | *236* | *181* | *425* |
| Derivative financial instruments | 522 | 116,482 | 1,140 | 118,145 | 795 | 157,069 | 1,754 | 159,618 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *255* | *53,046* | *7* | *53,307* | *319* | *68,425* | *5* | *68,750* |
| *Interest rate contracts* | *0* | *32,747* | *494* | *33,241* | *0* | *50,353* | *537* | *50,890* |
| *Equity / index contracts* | *0* | *27,861* | *384* | *28,245* | *0* | *33,990* | *853* | *34,842* |
| *Credit derivative contracts* | *0* | *1,179* | *236* | *1,414* | *0* | *2,008* | *350* | *2,358* |
| *Commodity contracts* | *0* | *1,590* | *16* | *1,606* | *0* | *2,211* | *6* | *2,217* |
| Brokerage receivables | 0 | 21,839 | 0 | 21,839 | 0 | 24,659 | 0 | 24,659 |
| Financial assets at fair value not held for trading[2] | 27,278 | 28,185 | 4,180 | 59,642 | 40,986 | 35,110 | 3,942 | 80,038 |
| *of which:* | | | | | | | | |
| *Financial assets for unit-linked investment contracts* | *21,110* | *187* | *6* | *21,303* | *20,628* | *101* | *2* | *20,731* |
| *Corporate and municipal bonds* | *123* | *13,937* | *306* | *14,366* | *290* | *16,957* | *372* | *17,619* |
| *Government bills / bonds* | *5,624* | *3,236* | *0* | *8,860* | *19,704* | *3,593* | *0* | *23,297* |
| *Loans* | *0* | *4,982* | *892* | *5,874* | *0* | *7,699* | *862* | *8,561* |
| *Securities financing transactions* | *0* | *5,704* | *100* | *5,804* | *0* | *6,629* | *122* | *6,751* |
| *Auction rate securities* | *0* | *0* | *1,585* | *1,585* | *0* | *0* | *1,527* | *1,527* |
| *Investment fund units* | *338* | *137* | *117* | *591* | *278* | *121* | *105* | *505* |
| *Equity instruments* | *83* | *2* | *681* | *765* | *86* | *0* | *544* | *631* |
| *Other* | *0* | *0* | *495* | *495* | *0* | *10* | *408* | *418* |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income[2] | 2,704 | 6,140 | 0 | 8,844 | 1,144 | 7,114 | 0 | 8,258 |
| *of which:* | | | | | | | | |
| *Asset-backed securities* | *0* | *4,849* | *0* | *4,849* | *0* | *6,624* | *0* | *6,624* |
| *Government bills / bonds* | *2,658* | *27* | *0* | *2,686* | *1,103* | *47* | *0* | *1,150* |
| *Corporate and municipal bonds* | *45* | *1,265* | *0* | *1,310* | *40* | *444* | *0* | *485* |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 5,258 | 0 | 0 | 5,258 | 6,264 | 0 | 0 | 6,264 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets[3] | 0 | 0 | 26 | 26 | 0 | 1 | 245 | 246 |
| Total assets measured at fair value | 149,484 | 187,658 | 7,645 | 344,787 | 156,716 | 239,583 | 8,278 | 404,576 |

## Note 21 Fair value measurement (continued)

**Determination of fair values from quoted market prices or valuation techniques (continued)[1]**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 25,413 | 6,170 | 105 | 31,688 | 26,889 | 6,652 | 55 | 33,595 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *18,328* | *513* | *83* | *18,924* | *22,519* | *425* | *40* | *22,985* |
| *Corporate and municipal bonds* | *30* | *4,219* | *17* | *4,266* | *31* | *4,048* | *9* | *4,089* |
| *Government bills / bonds* | *5,883* | *826* | *0* | *6,709* | *3,642* | *1,036* | *0* | *4,678* |
| *Investment fund units* | *1,172* | *555* | *6* | *1,733* | *696* | *1,127* | *5* | *1,828* |
| Derivative financial instruments | 509 | 118,558 | 2,242 | 121,309 | 746 | 156,884 | 3,471 | 161,102 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *258* | *53,800* | *21* | *54,078* | *316* | *70,149* | *61* | *70,527* |
| *Interest rate contracts* | *0* | *28,398* | *278* | *28,675* | *0* | *43,389* | *527* | *43,916* |
| *Equity / index contracts* | *0* | *33,438* | *1,511* | *34,949* | *0* | *38,870* | *2,306* | *41,176* |
| *Credit derivative contracts* | *0* | *1,412* | *341* | *1,753* | *0* | *2,403* | *528* | *2,931* |
| *Commodity contracts* | *0* | *1,503* | *63* | *1,566* | *0* | *2,003* | *24* | *2,027* |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 44,045 | 0 | 44,045 | 0 | 38,742 | 0 | 38,742 |
| Debt issued designated at fair value[2] | 0 | 59,606 | 11,854 | 71,460 | 0 | 50,273 | 9,595 | 59,868 |
| Other financial liabilities designated at fair value[2] | 0 | 29,258 | 3,156 | 32,414 | 0 | 29,682 | 2,091 | 31,773 |
| *of which:* | | | | | | | | |
| *Financial liabilities related to unit-linked investment contracts* | *0* | *21,466* | *0* | *21,466* | *0* | *20,975* | *0* | *20,975* |
| *Securities financing transactions* | *0* | *6,375* | *2* | *6,377* | *0* | *7,317* | *0* | *7,317* |
| *Over-the-counter debt instruments* | *0* | *1,334* | *794* | *2,128* | *0* | *1,363* | *697* | *2,060* |
| Total liabilities measured at fair value | 25,922 | 257,637 | 17,357 | 300,916 | 27,635 | 282,233 | 15,212 | 325,080 |

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. 2 As of 31 December 2021, USD 16 billion (31 December 2020: USD 20 billion) of Financial assets at fair value not held for trading, USD 8 billion (31 December 2020: USD 8 billion) of Financial assets measured at fair value through other comprehensive income, USD 33 billion (31 December 2020: USD 15 billion) of Debt issued designated at fair value and USD 3 billion (31 December 2020: USD 3 billion) of Other financial liabilities designated at fair value are expected to be recovered or settled after 12 months. 3 Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

**Note 21 Fair value measurement (continued)**

## Valuation techniques

UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flows, relative value and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry-standard cash flow projection models. The discount factors within the calculation are generated using industry-standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry-standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed-form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

Where available, valuation techniques use market-observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. In such cases, the inputs selected are based on historical experience and practice for similar or analogous instruments, derivation of input levels based on similar products with observable price levels, and knowledge of current market conditions and valuation approaches.

For more complex instruments, fair values may be estimated using a combination of observed transaction prices, consensus pricing services and relevant quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. UBS also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. Refer to Note 21f for more information. The discount curves used by UBS incorporate the funding and credit characteristics of the instruments to which they are applied.

## Financial instruments excluding derivatives: valuation and classification in the fair value hierarchy

| Product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Government bills and bonds** | Valuation | – Generally valued using prices obtained directly from the market.<br>– Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments. |
| | Fair value hierarchy | – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1, while the remaining positions are classified as Level 2 and Level 3. |
| **Corporate and municipal bonds** | Valuation | – Generally valued using prices obtained directly from the market for the security, or similar securities, adjusted for seniority, maturity and liquidity.<br>– When prices are not available, instruments are valued using discounted cash flow valuation techniques incorporating the credit spread of the issuer or similar issuers.<br>– For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model. |
| | Fair value hierarchy | – Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources.<br>– Level 3 instruments have no suitable pricing information available. |
| **Traded loans and loans measured at fair value** | Valuation | – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available.<br>– Where no market price data is available, loans are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. Recently originated commercial real estate loans are measured using a securitization approach based on rating agency guidelines. |
| | Fair value hierarchy | – Instruments with suitably deep and liquid pricing information are classified as Level 2.<br>– Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |

## Note 21 Fair value measurement (continued)

| Product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Investment fund units** | Valuation | – Predominantly exchange-traded, with readily available quoted prices in liquid markets.<br>– Where market prices are not available, fair value may be measured using net asset values (NAVs). |
| | Fair value hierarchy | – Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-market classification, while other positions are classified as Level 2.<br>– Positions for which NAVs are not available are classified as Level 3. |
| **Asset-backed securities (ABS)** | Valuation | – For liquid securities, the valuation process will use trade and price data, updated for movements in market levels between the time of trading and the time of valuation. Less liquid instruments are measured using discounted expected cash flows incorporating price data for instruments or indices with similar risk profiles. |
| | Fair value hierarchy | – Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS are generally classified as Level 2. However, if significant inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3. |
| **Auction rate securities (ARS)** | Valuation | – ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate risk emanating from the note coupon, credit risk attributable to the underlying closed-end fund investments, liquidity risk as a function of the level of trading volume in these positions, and extension risk, as ARS are perpetual instruments that require an assumption regarding their maturity or issuer redemption date. |
| | Fair value hierarchy | – Granular and liquid pricing information is generally not available for ARS. As a result, these securities are classified as Level 3. |
| **Equity instruments** | Valuation | – Listed equity instruments are generally valued using prices obtained directly from the market.<br>– Unlisted equity holdings, including private equity positions, are initially marked at their transaction price and are revalued when reliable evidence of price movement becomes available or when the position is deemed to be impaired. |
| | Fair value hierarchy | – The majority of equity securities are actively traded on public stock exchanges where quoted prices are readily and regularly available, resulting in Level 1 classification. |
| **Financial assets for unit-linked investment contracts** | Valuation | – The majority of assets are listed on exchanges and fair values are determined using quoted prices. |
| | Fair value hierarchy | – Most assets are classified as Level 1 if actively traded, or Level 2 if trading is not active.<br>– Instruments for which prices are not readily available are classified as Level 3. |
| **Securities financing transactions** | Valuation | – These instruments are valued using discounted expected cash flow techniques. The discount rate applied is based on funding curves that are relevant to the collateral eligibility terms. |
| | Fair value hierarchy | – Collateral funding curves for these instruments are generally observable and, as a result, these positions are classified as Level 2.<br>– Where the collateral terms are non-standard, the funding curve may be considered unobservable and these positions are classified as Level 3. |
| **Brokerage receivables and payables** | Valuation | – Fair value is determined based on the value of the underlying balances. |
| | Fair value hierarchy | – Due to their on-demand nature, these receivables and payables are deemed as Level 2. |
| **Amounts due under unit-linked investment contracts** | Valuation | – The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets. |
| | Fair value hierarchy | – The liabilities themselves are not actively traded, but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2. |

**Note 21 Fair value measurement (continued)**

## Derivative instruments: valuation and classification in the fair value hierarchy

The curves used for discounting expected cash flows in the valuation of collateralized derivatives reflect the funding terms associated with the relevant collateral arrangement for the instrument being valued. These collateral arrangements differ across counterparties with respect to the eligible currency and interest terms of the collateral. The majority of collateralized derivatives are measured using a discount curve based on funding rates derived from overnight interest in the cheapest eligible currency for the respective counterparty collateral agreement.

Uncollateralized and partially collateralized derivatives are discounted using the alternative reference rate (the ARR) (or equivalent) curve for the currency of the instrument. As described in Note 21d, the fair value of uncollateralized and partially collateralized derivatives is then adjusted by credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs), as applicable, to reflect an estimation of the effect of counterparty credit risk, UBS's own credit risk, and funding costs and benefits.

› **Refer to Note 10 for more information about derivative instruments**

| Derivative product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Interest rate contracts** | Valuation | – Interest rate swap contracts are valued by estimating future interest cash flows and discounting those cash flows using a rate that reflects the appropriate funding rate for the position being measured. The yield curves used to estimate future index levels and discount rates are generated using market-standard yield curve models using interest rates associated with current market activity. The key inputs to the models are interest rate swap rates, forward rate agreement rates, short-term interest rate futures prices, basis swap spreads and inflation swap rates.<br>– Interest rate option contracts are valued using various market-standard option models, using inputs that include interest rate yield curves, inflation curves, volatilities and correlations.<br>– When the maturity of an interest rate swap or option contract exceeds the term for which standard market quotes are observable for a significant input parameter, the contracts are valued by extrapolation from the last observable point using standard assumptions or by reference to another observable comparable input parameter to represent a suitable proxy for that portion of the term. |
| | Fair value hierarchy | – The majority of interest rate swaps are classified as Level 2 as the standard market contracts that form the inputs for yield curve models are generally traded in active and observable markets.<br>– Options are generally treated as Level 2 as the calibration process enables the model output to be validated to active-market levels. Models calibrated in this way are then used to revalue the portfolio of both standard options and more exotic products.<br>– Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes.<br>– Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3. |
| **Credit derivative contracts** | Valuation | – Credit derivative contracts are valued using industry-standard models based primarily on market credit spreads, upfront pricing points and implied recovery rates. Where a derivative credit spread is not directly available, it may be derived from the price of the reference cash bond.<br>– Asset-backed credit derivatives are valued using a valuation technique similar to that of the underlying security with an adjustment to reflect the funding differences between cash and synthetic form. |
| | Fair value hierarchy | – Single-entity and portfolio credit derivative contracts are classified as Level 2 when credit spreads and recovery rates are determined from actively traded observable market data. Where the underlying reference name(s) are not actively traded and the correlation cannot be directly mapped to actively traded tranche instruments, these contracts are classified as Level 3.<br>– Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3. |

| Derivative product | Valuation and classification in the fair value hierarchy | |
|---|---|---|
| **Foreign exchange contracts** | Valuation | – Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market.<br>– Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources.<br>– Over-the-counter (OTC) FX option contracts are valued using market-standard option valuation models. The models used for shorter-dated options (i.e., maturities of five years or less) tend to be different than those used for longer-dated options because the models needed for longer-dated OTC FX contracts require additional consideration of interest rate and FX rate interdependency.<br>– The valuation for multi-dimensional FX options uses a multi-local volatility model, which is calibrated to the observed FX volatilities for all relevant FX pairs. |
| | Fair value hierarchy | – The markets for FX spot and FX forward pricing points are both actively traded and observable and therefore such FX contracts are generally classified as Level 2.<br>– A significant proportion of OTC FX option contracts are classified as Level 2 as inputs are derived mostly from standard market contracts traded in active and observable markets.<br>– OTC FX option contracts classified as Level 3 include multi-dimensional FX options and long-dated FX exotic option contracts where there is no active market from which to derive volatility or correlation inputs. |
| **Equity / index contracts** | Valuation | – Equity forward contracts have a single stock or index underlying and are valued using market-standard models. The key inputs to the models are stock prices, estimated dividend rates and equity funding rates (which are implied from prices of forward contracts observed in the market). Estimated cash flows are then discounted using market-standard discounted cash flow models using a rate that reflects the appropriate funding rate for that portion of the portfolio. When no market data is available for the instrument maturity, they are valued by extrapolation of available data, use of historical dividend data, or use of data for a related equity.<br>– Equity option contracts are valued using market-standard models that estimate the equity forward level as described for equity forward contracts and incorporate inputs for stock volatility and for correlation between stocks within a basket. The probability-weighted expected option payoff generated is then discounted using market-standard discounted cash flow models applying a rate that reflects the appropriate funding rate for that portion of the portfolio. When volatility, forward or correlation inputs are not available, they are valued using extrapolation of available data, historical dividend, correlation or volatility data, or the equivalent data for a related equity. |
| | Fair value hierarchy | – As inputs are derived mostly from standard market contracts traded in active and observable markets, a significant proportion of equity forward contracts are classified as Level 2.<br>– Equity option positions for which inputs are derived from standard market contracts traded in active and observable markets are also classified as Level 2. Level 3 positions are those for which volatility, forward or correlation inputs are not observable. |
| **Commodity contracts** | Valuation | – Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments.<br>– Commodity option contracts are measured using market-standard option models that estimate the commodity forward level as described for commodity forward and swap contracts, incorporating inputs for the volatility of the underlying index or commodity. For commodity options on baskets of commodities or bespoke commodity indices, the valuation technique also incorporates inputs for the correlation between different commodities or commodity indices. |
| | Fair value hierarchy | – Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available. |

**Note 21 Fair value measurement (continued)**

## d) Valuation adjustments and other items

The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted, where appropriate and when such factors would be considered by market participants in estimating fair value, to reflect close-out costs, credit exposure, model-driven valuation uncertainty, funding costs and benefits, trading restrictions and other factors.

The table below summarizes the valuation adjustment reserves recognized on the balance sheet. Details about each category are provided further below.

**Valuation adjustment reserves on the balance sheet**

| | As of | | |
|---|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Deferred day-1 profit or loss reserves | 418 | 269 | 146 |
| Own credit adjustments on financial liabilities designated at fair value | (315) | (381) | (88) |
| CVAs, FVAs, DVAs and other valuation adjustments | (1,004) | (959) | (706) |

### Deferred day-1 profit or loss reserves

For new transactions where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognized at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, where any such difference is deferred and not initially recognized in the income statement.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters becomes observable or when the transaction is closed out.

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

**Deferred day-1 profit or loss reserves**

| *USD million* | 2021 | 2020 | 2019 |
|---|---|---|---|
| Reserve balance at the beginning of the year | 269 | 146 | 255 |
| Profit / (loss) deferred on new transactions | 459 | 362 | 171 |
| (Profit) / loss recognized in the income statement | (308) | (238) | (278) |
| Foreign currency translation | (2) | 0 | (2) |
| Reserve balance at the end of the year | 418 | 269 | 146 |

### Own credit

Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants.

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognized in *Other comprehensive income* directly within *Retained earnings,* with no reclassification to the income statement in future periods. This presentation does not create or increase an accounting mismatch in the income statement, as UBS does not hedge changes in own credit.

Own credit is estimated using own credit adjustment (OCA) curves, which incorporate observable market data, including market-observed secondary prices for UBS's debt, UBS's credit default swap spreads and debt curves of peers. In the table below, the change in unrealized own credit consists of changes in fair value that are attributable to the change in UBS's credit spreads, as well as the effect of changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay and changes in interest and other market rates. Realized own credit is recognized when an instrument with an associated unrealized OCA is repurchased prior to the contractual maturity date. Life-to-date amounts reflect the cumulative unrealized change since initial recognition.

› **Refer to Note 16 for more information about debt issued designated at fair value**

## Note 21 Fair value measurement (continued)

**Own credit adjustments on financial liabilities designated at fair value**

| | Included in Other comprehensive income | | |
|---|---|---|---|
| | For the year ended | | |
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Recognized during the period: | | | |
| Realized gain / (loss) | (14) | 2 | 8 |
| Unrealized gain / (loss) | 60 | (295) | (408) |
| Total gain / (loss), before tax | 46 | (293) | (400) |

| | As of | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Recognized on the balance sheet as of the end of the period: | | | |
| Unrealized life-to-date gain / (loss) | (315) | (381) | (88) |

### Credit valuation adjustments

In order to measure the fair value of OTC derivative instruments, including funded derivative instruments that are classified as *Financial assets at fair value not held for trading,* CVAs are needed to reflect the credit risk of the counterparty inherent in these instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. A CVA is determined for each counterparty, considering all exposures with that counterparty, and is dependent on the expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses, funding spreads and other contractual factors.

### Funding valuation adjustments

FVAs reflect the costs and benefits of funding associated with uncollateralized and partially collateralized derivative receivables and payables and are calculated as the valuation effect from moving the discounting of the uncollateralized derivative cash flows from the ARR to OCA using the CVA framework, including the probability of counterparty default. An FVA is also applied to collateralized derivative assets in cases where the collateral cannot be sold or repledged.

### Debit valuation adjustments

A DVA is estimated to incorporate own credit in the valuation of derivatives where an FVA is not already recognized. The DVA calculation is effectively consistent with the CVA framework, being determined for each counterparty, considering all exposures with that counterparty and taking into account collateral netting agreements, expected future mark-to-market movements and UBS's credit default spreads.

### Other valuation adjustments

Instruments that are measured as part of a portfolio of combined long and short positions are valued at mid-market levels to ensure consistent valuation of the long- and short-component risks. A liquidity valuation adjustment is then made to the overall net long or short exposure to move the fair value to bid or offer as appropriate, reflecting current levels of market liquidity. The bid–offer spreads used in the calculation of this valuation adjustment are obtained from market transactions and other relevant sources and are updated periodically.

Uncertainties associated with the use of model-based valuations are incorporated into the measurement of fair value through the use of model reserves. These reserves reflect the amounts that UBS estimates should be deducted from valuations produced directly by models to incorporate uncertainties in the relevant modeling assumptions, in the model and market inputs used, or in the calibration of the model output to adjust for known model deficiencies. In arriving at these estimates, UBS considers a range of market practices, including how it believes market participants would assess these uncertainties. Model reserves are reassessed periodically in light of data from market transactions, consensus pricing services and other relevant sources.

### Other items

In the first half of 2021, UBS AG incurred a loss of USD 861 million as a result of closing out a significant portfolio of swaps with a US-based client of its prime brokerage business and the unwinding of related hedges, following the client's default. This loss is presented within *Other net income from financial instruments measured at fair value through profit or loss*.

**Valuation adjustments on financial instruments**

| | As of | |
|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.12.21 | 31.12.20 |
| Credit valuation adjustments[1] | (44) | (66) |
| Funding valuation adjustments | (49) | (73) |
| Debit valuation adjustments | 2 | 0 |
| Other valuation adjustments | (913) | (820) |
| *of which: liquidity* | *(341)* | *(340)* |
| *of which: model uncertainty* | *(571)* | *(479)* |

1 Amounts do not include reserves against defaulted counterparties.

**Note 21 Fair value measurement (continued)**

## e) Transfers between Level 1 and Level 2

Assets and liabilities transferred from Level 2 to Level 1 during 2021 were not material. Assets and liabilities transferred from Level 1 to Level 2 during 2021 were also not material.

## f) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 December 2021 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of UBS's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

**Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities**

| | Fair value | | | | | | Range of inputs | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | | | 31.12.21 | | | 31.12.20 | | | |
| *USD billion* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | Valuation technique(s) | Significant unobservable input(s)[1] | low | high | weighted average[2] | low | high | weighted average[2] | unit[1] |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| *Corporate and municipal bonds* | *0.9* | *1.2* | *0.0* | *0.0* | Relative value to market comparable | Bond price equivalent | 16 | 143 | 98 | 1 | 143 | 100 | points |
| | | | | | Discounted expected cash flows | Discount margin | 434 | 434 | | 268 | 268 | | basis points |
| *Traded loans, loans measured at fair value, loan commitments and guarantees* | *2.8* | *2.4* | *0.0* | *0.0* | Relative value to market comparable | Loan price equivalent | 0 | 101 | 99 | 0 | 101 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 175 | 800 | 436 | 190 | 800 | 398 | basis points |
| | | | | | Market comparable and securitization model | Credit spread | 28 | 1,544 | 241 | 40 | 1,858 | 333 | basis points |
| *Auction rate securities* | *1.6* | *1.5* | | | Discounted expected cash flows | Credit spread | 115 | 197 | 153 | 100 | 188 | 140 | basis points |
| *Investment fund units[3]* | *0.1* | *0.1* | *0.0* | *0.0* | Relative value to market comparable | Net asset value | | | | | | | |
| *Equity instruments[3]* | *0.8* | *0.7* | *0.1* | *0.0* | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value[4] | | | *11.9* | *9.6* | | | | | | | | | |
| Other financial liabilities designated at fair value | | | *3.2* | *2.1* | Discounted expected cash flows | Funding spread | 24 | 175 | | 42 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| *Interest rate contracts* | *0.5* | *0.5* | *0.3* | *0.5* | Option model | Volatility of interest rates | 65 | 81 | | 29 | 69 | | basis points |
| *Credit derivative contracts* | *0.2* | *0.3* | *0.3* | *0.5* | Discounted expected cash flows | Credit spreads | 1 | 583 | | 1 | 489 | | basis points |
| | | | | | | Bond price equivalent | 2 | 136 | | 0 | 100 | | points |
| *Equity / index contracts* | *0.4* | *0.9* | *1.5* | *2.3* | Option model | Equity dividend yields | 0 | 11 | | 0 | 13 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 98 | | 4 | 100 | | % |
| | | | | | | Equity-to-FX correlation | (29) | 76 | | (34) | 65 | | % |
| | | | | | | Equity-to-equity correlation | (25) | 100 | | (16) | 100 | | % |

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. 3 The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. 4 Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

## Significant unobservable inputs in Level 3 positions

This section discusses the significant unobservable inputs used in the valuation of Level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement. Relationships between observable and unobservable inputs have not been included in the summary below.

| Input | Description |
|---|---|
| **Bond price equivalent** | – Where market prices are not available for a bond, fair value is measured by comparison with observable pricing data from similar instruments. Factors considered when selecting comparable instruments include credit quality, maturity and industry of the issuer. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield (either as an outright yield or as a spread to the relevant benchmark rate).<br>– For corporate and municipal bonds, the range represents the range of prices from reference issuances used in determining fair value. Bonds priced at 0 are distressed to the point that no recovery is expected, while prices significantly in excess of 100 or par relate to inflation-linked or structured issuances that pay a coupon in excess of the market benchmark as of the measurement date.<br>– For credit derivatives, the bond price range represents the range of prices used for reference instruments, which are typically converted to an equivalent yield or credit spread as part of the valuation process. |
| **Loan price equivalent** | – Where market prices are not available for a traded loan, fair value is measured by comparison with observable pricing data for similar instruments. Factors considered when selecting comparable instruments include industry segment, collateral quality, maturity and issuer-specific covenants. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield. The range represents the range of prices derived from reference issuances of a similar credit quality used to measure fair value for loans classified as Level 3. Loans priced at 0 are distressed to the point that no recovery is expected, while a current price of 100 represents a loan that is expected to be repaid in full. |
| **Credit spread** | – Valuation models for many credit derivatives require an input for the credit spread, which is a reflection of the credit quality of the associated referenced underlying. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either US Treasury or ARR, and is generally expressed in terms of basis points. An increase / (decrease) in credit spread will increase / (decrease) the value of credit protection offered by credit default swaps and other credit derivative products. The income statement effect from such changes depends on the nature and direction of the positions held. Credit spreads may be negative where the asset is more creditworthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness. The range represents a diverse set of underlyings, with the lower end of the range representing credits of the highest quality and the upper end of the range representing greater levels of credit risk. |
| **Discount margin** | – The discount margin (DM) spread represents the discount rates applied to present value cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. DM spreads are a rate or rates applied on top of a floating index (e.g., Secured Overnight Financing Rate (SOFR)) to discount expected cash flows. Generally, a decrease / (increase) in the DM in isolation would result in a higher / (lower) fair value.<br>– The high end of the range relates to securities that are priced low within the market relative to the expected cash flow schedule. This indicates that the market is pricing an increased risk of credit loss into the security that is greater than what is being captured by the expected cash flow generation process. The low ends of the ranges are typical of funding rates on better-quality instruments. |
| **Funding spread** | – Structured financing transactions are valued using synthetic funding curves that best represent the assets that are pledged as collateral for the transactions. They are not representative of where UBS can fund itself on an unsecured basis, but provide an estimate of where UBS can source and deploy secured funding with counterparties for a given type of collateral. The funding spreads are expressed in terms of basis points, and if funding spreads widen, this increases the effect of discounting.<br>– A small proportion of structured debt instruments and non-structured fixed-rate bonds within financial liabilities designated at fair value had an exposure to funding spreads that was longer in duration than the actively traded market. |
| **Volatility** | – Volatility measures the variability of future prices for a particular instrument and is generally expressed as a percentage, where a higher number reflects a more volatile instrument, for which future price movements are more likely to occur. Volatility is a key input into option models, where it is used to derive a probability-based distribution of future prices for the underlying instrument. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active-market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility "smile" or "skew," which represents the effect of pricing options of different option strikes at different implied volatility levels.<br>– Volatilities of low interest rates tend to be much higher than volatilities of high interest rates. In addition, different currencies may have significantly different implied volatilities. |

## Note 21 Fair value measurement (continued)

| Input | Description |
|---|---|
| **Correlation** | – Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage between –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable is associated with a movement of the other variable in the same direction) and –100% implies that the variables are inversely correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposite direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments being valued, reflecting the range of different payoff features within such instruments.<br>– Equity-to-FX correlation is important for equity options based on a currency other than the currency of the underlying stock. Equity-to-equity correlation is particularly important for complex options that incorporate, in some manner, different equities in the projected payoff. |
| **Equity dividend yields** | – The derivation of a forward price for an individual stock or index is important for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings, and, to a lesser extent, the relevant funding rates applicable to the stock in question. Dividend yields are generally expressed as an annualized percentage of the share price, with the lowest limit of 0% representing a stock that is not expected to pay any dividend. The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price. |

## g) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible favorable and unfavorable alternative assumptions would change fair value significantly, and the estimated effect thereof. The table below does not represent the estimated effect of stress scenarios. Interdependencies between Level 1, 2 and 3 parameters have not been incorporated in the table. Furthermore, direct inter-relationships between the Level 3 parameters discussed below are not a significant element of the valuation uncertainty.

Sensitivity data is estimated using a number of techniques, including the estimation of price dispersion among different market participants, variation in modeling approaches and reasonably possible changes to assumptions used within the fair value measurement process. The sensitivity ranges are not always symmetrical around the fair values, as the inputs used in valuations are not always precisely in the middle of the favorable and unfavorable range.

Sensitivity data is determined at a product or parameter level and then aggregated assuming no diversification benefit. Diversification would incorporate estimated correlations across different sensitivity results and, as such, would result in an overall sensitivity that would be less than the sum of the individual component sensitivities. However, UBS believes that the diversification benefit is not significant to this analysis.

**Sensitivity of fair value measurements to changes in unobservable input assumptions[1]**

| | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| *USD million* | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans designated at fair value, loan commitments and guarantees | 19 | (13) | 29 | (28) |
| Securities financing transactions | 41 | (53) | 40 | (52) |
| Auction rate securities | 66[2] | (66)[2] | 105 | (105) |
| Asset-backed securities | 20 | (20) | 41 | (41) |
| Equity instruments | 173 | (146) | 129 | (96) |
| Interest rate derivative contracts, net | 29 | (19) | 11 | (16) |
| Credit derivative contracts, net | 5 | (8) | 10 | (14) |
| Foreign exchange derivative contracts, net | 19 | (11) | 20 | (15) |
| Equity / index derivative contracts, net | 368 | (335) | 318 | (294) |
| Other | 50 | (73) | 91 | (107) |
| Total | 790 | (744) | 794 | (768) |

1 Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. 2 Includes refinements applied in estimating valuation uncertainty across various parameters and a change in assumptions regarding the underlying statistical distribution.

## Note 21 Fair value measurement (continued)

### h) Level 3 instruments: movements during the period

The table below presents additional information about material movements in Level 3 assets and liabilities measured at fair value on a recurring basis, excluding any related hedging activity.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

**Movements of Level 3 instruments**

| *USD billion* | Balance as of 31 December 2019 | Total gains / losses included in comprehensive income: Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial assets at fair value held for trading | 1.8 | (0.1) | *(0.1)* | 0.8 | (1.4) | 1.0 | 0.0 | 0.3 | 0.0 | 0.0 | 2.3 |
| *of which:* | | | | | | | | | | | |
| *Investment fund units* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Corporate and municipal bonds* | *0.5* | *0.0* | *0.0* | *0.7* | *(0.5)* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.8* |
| *Loans* | *0.8* | *0.0* | *(0.1)* | *0.0* | *(0.7)* | *1.0* | *0.0* | *0.1* | *0.0* | *0.0* | *1.1* |
| *Other* | *0.4* | *0.0* | *0.0* | *0.1* | *(0.3)* | *0.0* | *0.0* | *0.2* | *0.0* | *0.0* | *0.4* |
| Derivative financial instruments – assets | 1.3 | 0.3 | *0.4* | 0.0 | 0.0 | 0.7 | (0.5) | 0.1 | (0.2) | 0.1 | 1.8 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.3* | *0.2* | *0.2* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Equity / index contracts* | *0.6* | *0.1* | *0.1* | *0.0* | *0.0* | *0.6* | *(0.3)* | *0.0* | *(0.1)* | *0.0* | *0.9* |
| *Credit derivative contracts* | *0.4* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.1* | *0.0* | *0.0* | *0.3* |
| *Other* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| Financial assets at fair value not held for trading | 4.0 | 0.0 | *0.1* | 0.8 | (0.9) | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 3.9 |
| *of which:* | | | | | | | | | | | |
| *Loans* | *1.2* | *0.0* | *0.0* | *0.3* | *(0.7)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.9* |
| *Auction rate securities* | *1.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.5* |
| *Equity instruments* | *0.5* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Other* | *0.7* | *0.0* | *0.0* | *0.4* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.0* |
| Derivative financial instruments – liabilities | 2.0 | 1.3 | *1.2* | 0.0 | 0.0 | 1.2 | (0.9) | 0.4 | (0.6) | 0.1 | 3.5 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.1* | *0.3* | *0.3* | *0.0* | *0.0* | *0.3* | *(0.2)* | *0.2* | *(0.2)* | *0.0* | *0.5* |
| *Equity / index contracts* | *1.3* | *1.0* | *0.8* | *0.0* | *0.0* | *0.8* | *(0.6)* | *0.1* | *(0.2)* | *0.0* | *2.3* |
| *Credit derivative contracts* | *0.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.1* | *(0.2)* | *0.0* | *0.5* |
| *Other* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* |
| Debt issued designated at fair value | 9.6 | 0.0 | *(0.2)* | 0.0 | 0.0 | 6.6 | (5.6) | 0.5 | (1.7) | 0.2 | 9.6 |
| Other financial liabilities designated at fair value | 1.0 | 0.2 | *0.2* | 0.0 | 0.0 | 1.4 | (0.6) | 0.0 | 0.0 | 0.0 | 2.1 |

1 Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. 2 Total Level 3 assets as of 31 December 2021 were USD 7.6 billion (31 December 2020: USD 8.3 billion). Total Level 3 liabilities as of 31 December 2021 were USD 17.4 billion (31 December 2020: USD 15.2 billion).

| Balance as of 31 December 2020[2] | Total gains / losses included in comprehensive income: Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 31 December 2021[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| 2.3 | 0.0 | *(0.1)* | 0.3 | (1.6) | 1.2 | 0.0 | 0.3 | (0.3) | 0.0 | 2.3 |
| | | | | | | | | | | |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *0.8* | *0.0* | *0.0* | *0.2* | *(0.4)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.6* |
| *1.1* | *0.0* | *0.0* | *0.0* | *(0.8)* | *1.2* | *0.0* | *0.0* | *(0.2)* | *0.0* | *1.4* |
| *0.4* | *0.0* | *0.0* | *0.1* | *(0.4)* | *0.0* | *0.0* | *0.3* | *0.0* | *0.0* | *0.3* |
| 1.8 | (0.2) | *(0.1)* | 0.0 | 0.0 | 0.5 | (0.7) | 0.1 | (0.3) | 0.0 | 1.1 |
| | | | | | | | | | | |
| *0.5* | *0.1* | *0.1* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.0* | *(0.1)* | *0.0* | *0.5* |
| *0.9* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.3* | *(0.4)* | *0.0* | *(0.2)* | *0.0* | *0.4* |
| *0.3* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.2* |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| 3.9 | 0.1 | *0.1* | 1.0 | (0.6) | 0.0 | 0.0 | 0.1 | (0.3) | 0.0 | 4.2 |
| | | | | | | | | | | |
| *0.9* | *0.0* | *0.0* | *0.6* | *(0.3)* | *0.0* | *0.0* | *0.0* | *(0.3)* | *0.0* | *0.9* |
| *1.5* | *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.6* |
| *0.5* | *0.1* | *0.1* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.7* |
| *1.0* | *0.0* | *(0.1)* | *0.3* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.0* |
| 3.5 | 0.2 | *0.0* | 0.0 | 0.0 | 0.9 | (1.8) | 0.0 | (0.5) | 0.0 | 2.2 |
| | | | | | | | | | | |
| *0.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.3* |
| *2.3* | *0.3* | *0.1* | *0.0* | *0.0* | *0.8* | *(1.5)* | *0.0* | *(0.4)* | *0.0* | *1.5* |
| *0.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.3* |
| *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.1* |
| 9.6 | 0.7 | *0.6* | 0.0 | 0.0 | 7.1 | (4.2) | 0.1 | (1.2) | (0.2) | 11.9 |
| 2.1 | 0.0 | *0.0* | 0.0 | 0.0 | 1.3 | (0.2) | 0.0 | 0.0 | 0.0 | 3.2 |

## Note 21 Fair value measurement (continued)

### i) Maximum exposure to credit risk for financial instruments measured at fair value

The tables below provide UBS AG's maximum exposure to credit risk for financial instruments measured at fair value and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS.

**Maximum exposure to credit risk**

| | 31.12.21 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral | | | | Credit enhancements | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateral-ized by securities | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at fair value on the balance sheet[1] | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments[2,3] | 22.6 | | | | | | | | 22.6 |
| Derivative financial instruments[4,5] | 118.1 | | 4.2 | | | 103.2 | | | 10.7 |
| Brokerage receivables | 21.8 | 0.0 | 21.6 | | | | | | 0.2 |
| Financial assets at fair value not held for trading – debt instruments[6] | 37.0 | 0.0 | 11.2 | | | | | | 25.7 |
| Total financial assets measured at fair value | 199.5 | 0.0 | 37.1 | 0.0 | 0.0 | 103.2 | 0.0 | 0.0 | 59.2 |
| Guarantees[7] | 0.2 | | | | 0.0 | | | 0.2 | 0.0 |

| | 31.12.20 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral | | | | Credit enhancements | | | |
| *USD billion* | Maximum exposure to credit risk | Cash collateral received | Collateral-ized by securities | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees | Exposure to credit risk after collateral and credit enhancements |
| Financial assets measured at fair value on the balance sheet[1] | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments[2,3] | 24.7 | | | | | | | | 24.7 |
| Derivative financial instruments[4,5] | 159.6 | | 6.0 | | | 138.4 | | | 15.2 |
| Brokerage receivables | 24.7 | | 24.4 | | | | | | 0.3 |
| Financial assets at fair value not held for trading – debt instruments[6] | 58.2 | 0.0 | 13.2 | | | | | | 45.0 |
| Total financial assets measured at fair value | 267.2 | 0.0 | 43.6 | 0.0 | 0.0 | 138.4 | 0.0 | 0.0 | 85.2 |
| Guarantees[7] | 0.5 | | | | 0.1 | | | 0.3 | 0.0 |

1 The maximum exposure to loss is generally equal to the carrying amount and subject to change over time with market movements. 2 These positions are generally managed under the market risk framework. For the purpose of this disclosure, collateral and credit enhancements were not considered. 3 Does not include investment fund units. 4 Includes USD 0 million (31 December 2020: USD 0 million) fair values of loan commitments and forward starting reverse repurchase agreements classified as derivatives. The full contractual committed amount of forward starting reverse repurchase agreements (generally highly collateralized) of USD 27.8 billion (31 December 2020: USD 21.9 billion) and derivative loan commitments (generally unsecured) of USD 8.2 billion, of which USD 0.8 billion has been sub-participated (31 December 2020: USD 9.4 billion, of which USD 0.8 billion had been sub-participated), is presented in Note 10 under notional amounts. 5 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. 6 Financial assets at fair value not held for trading collateralized by securities consisted of structured loans and reverse repurchase and securities borrowing agreements. 7 The amount shown in the "Guarantees" column largely relates to sub-participations.

## Note 21 Fair value measurement (continued)

### j) Financial instruments not measured at fair value

The table below provides the estimated fair values of financial instruments not measured at fair value.

**Financial instruments not measured at fair value**

| | 31.12.21 | | | | | | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | | | Carrying amount | Fair value | | | | |
| *USD billion* | Total | Carrying amount approximates fair value[1] | Level 1 | Level 2 | Level 3 | Total | Total | Carrying amount approximates fair value[1] | Level 1 | Level 2 | Level 3 | Total |
| Assets[2] | | | | | | | | | | | | |
| Cash and balances at central banks | 192.8 | 192.7 | 0.1 | 0.0 | 0.0 | 192.8 | 158.2 | 158.1 | 0.1 | 0.0 | 0.0 | 158.2 |
| Loans and advances to banks | 15.4 | 14.6 | 0.0 | 0.7 | 0.0 | 15.3 | 15.3 | 14.6 | 0.0 | 0.6 | 0.1 | 15.3 |
| Receivables from securities financing transactions | 75.0 | 71.6 | 0.0 | 1.3 | 2.1 | 75.0 | 74.2 | 64.9 | 0.0 | 7.6 | 1.7 | 74.2 |
| Cash collateral receivables on derivative instruments | 30.5 | 30.5 | 0.0 | 0.0 | 0.0 | 30.5 | 32.7 | 32.7 | 0.0 | 0.0 | 0.0 | 32.7 |
| Loans and advances to customers | 398.7 | 163.7 | 0.0 | 43.8 | 190.4 | 397.9 | 381.0 | 173.1 | 0.0 | 34.2 | 174.9 | 382.3 |
| Other financial assets measured at amortized cost | 26.2 | 4.1 | 9.3 | 10.7 | 2.4 | 26.5 | 27.2 | 5.4 | 9.4 | 10.9 | 2.3 | 28.0 |
| Liabilities[2] | | | | | | | | | | | | |
| Amounts due to banks | 13.1 | 9.1 | 0.0 | 4.0 | 0.0 | 13.1 | 11.0 | 8.5 | 0.0 | 2.6 | 0.0 | 11.1 |
| Payables from securities financing transactions | 5.5 | 4.1 | 0.0 | 1.5 | 0.0 | 5.5 | 6.3 | 6.0 | 0.0 | 0.2 | 0.0 | 6.3 |
| Cash collateral payables on derivative instruments | 31.8 | 31.8 | 0.0 | 0.0 | 0.0 | 31.8 | 37.3 | 37.3 | 0.0 | 0.0 | 0.0 | 37.3 |
| Customer deposits | 544.8 | 537.6 | 0.0 | 7.3 | 0.0 | 544.8 | 527.9 | 521.8 | 0.0 | 6.2 | 0.0 | 528.0 |
| Funding from UBS Group AG | 57.3 | 2.8 | 0.0 | 56.0 | 0.0 | 58.8 | 54.0 | 0.0 | 0.0 | 55.6 | 0.0 | 55.6 |
| Debt issued measured at amortized cost | 82.4 | 13.0 | 0.0 | 69.8 | 0.0 | 82.8 | 85.4 | 16.4 | 0.0 | 70.0 | 0.0 | 86.3 |
| Other financial liabilities measured at amortized cost[3] | 6.3 | 6.3 | 0.0 | 0.0 | 0.0 | 6.3 | 6.6 | 6.6 | 0.0 | 0.0 | 0.1 | 6.7 |

1 Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand, or with a remaining maturity (excluding the effects of callable features) of three months or less). 2 As of 31 December 2021, USD 0 billion (31 December 2020: USD 0 billion) of Cash and balances at central banks, USD 0 billion (31 December 2020: USD 0 billion) of Loans and advances to banks, USD 1 billion (31 December 2020: USD 1 billion) of Receivables from securities financing transactions, USD 175 billion (31 December 2020: USD 163 billion) of Loans and advances to customers, USD 19 billion (31 December 2020: USD 20 billion) of Other financial assets measured at amortized cost, USD 1 billion (31 December 2020: USD 0 billion) of Amounts due to banks, USD 4 billion (31 December 2020: USD 3 billion) of Customer deposits, USD 53 billion (31 December 2020: USD 49 billion) of Funding from UBS Group AG, USD 31 billion (31 December 2020: USD 31 billion) of Debt issued measured at amortized cost and USD 3 billion (31 December 2020: USD 3 billion) of Other financial liabilities measured at amortized cost were expected to be recovered or settled after 12 months. 3 Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions described below relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another. The following principles were applied when determining fair value estimates for financial instruments not measured at fair value:

- For financial instruments with remaining maturities greater than three months, the fair value was determined from quoted market prices, if available.
- Where quoted market prices were not available, the fair values were estimated by discounting contractual cash flows using current market interest rates or appropriate yield curves for instruments with similar credit risk and maturity. These estimates generally include adjustments for counterparty credit risk or UBS's own credit.
- For short-term financial instruments with remaining maturities of three months or less, the carrying amount, which is net of credit loss allowances, is generally considered a reasonable estimate of fair value.

## Note 22 Offsetting financial assets and financial liabilities

UBS AG enters into netting agreements with counterparties to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, over-the-counter derivatives and exchange-traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set off liabilities against available assets received in the ordinary course of business and / or in the event that the counterparties to the transaction are unable to fulfill their contractual obligations.

The tables on this page and the next page provide a summary of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements, as well as financial collateral received or pledged to mitigate credit exposures for these financial instruments.

UBS AG engages in a variety of counterparty credit risk mitigation strategies in addition to netting and collateral arrangements. Therefore, the net amounts presented in the tables on this page and the next page do not purport to represent their actual credit risk exposure.

**Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements**

| | Assets subject to netting arrangements | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet[3] | | | Assets not subject to netting arrangements[4] | Total assets | |
| *As of 31.12.21, USD billion* | Gross assets before netting | Netting with gross liabilities[2] | Net assets recognized on the balance sheet | Financial liabilities | Collateral received | Assets after consideration of netting potential | Assets recognized on the balance sheet | Total assets after consideration of netting potential | Total assets recognized on the balance sheet |
| Receivables from securities financing transactions | 67.7 | (13.8) | 53.9 | (2.9) | (51.0) | 0.0 | 21.1 | 21.1 | 75.0 |
| Derivative financial instruments | 116.0 | (3.6) | 112.4 | (88.9) | (18.5) | 5.0 | 5.8 | 10.7 | 118.1 |
| Cash collateral receivables on derivative instruments[1] | 29.4 | 0.0 | 29.4 | (15.2) | (3.3) | 11.0 | 1.1 | 12.1 | 30.5 |
| Financial assets at fair value not held for trading | 93.1 | (87.6) | 5.5 | (1.1) | (4.4) | 0.0 | 54.1 | 54.1 | 59.6 |
| *of which: reverse repurchase agreements* | *93.1* | *(87.6)* | *5.5* | *(1.1)* | *(4.4)* | *0.0* | *0.3* | *0.3* | *5.8* |
| Total assets | 306.2 | (105.0) | 201.2 | (108.1) | (77.2) | 15.9 | 82.1 | 98.1 | 283.3 |
| | | | | | | | | | |
| *As of 31.12.20, USD billion* | | | | | | | | | |
| Receivables from securities financing transactions | 70.3 | (13.4) | 57.0 | (1.7) | (55.3) | 0.0 | 17.3 | 17.3 | 74.2 |
| Derivative financial instruments | 156.9 | (5.0) | 151.9 | (117.2) | (27.2) | 7.5 | 7.7 | 15.2 | 159.6 |
| Cash collateral receivables on derivative instruments[1] | 31.9 | 0.0 | 31.9 | (19.6) | (1.5) | 10.8 | 0.8 | 11.6 | 32.7 |
| Financial assets at fair value not held for trading | 85.6 | (79.1) | 6.5 | (0.8) | (5.8) | 0.0 | 73.5 | 73.5 | 80.0 |
| *of which: reverse repurchase agreements* | *85.6* | *(79.1)* | *6.5* | *(0.8)* | *(5.8)* | *0.0* | *0.2* | *0.2* | *6.7* |
| Total assets | 344.8 | (97.5) | 247.3 | (139.3) | (89.8) | 18.3 | 99.3 | 117.6 | 346.6 |

1 The net amount of Cash collateral receivables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross liabilities" column corresponding directly to the amounts presented in the "Netting with gross assets" column in the liabilities table presented on the following page. Netting in this column for reverse repurchase agreements presented within the lines "Receivables from securities financing transactions" and "Financial assets at fair value not held for trading" taken together corresponds to the amounts presented for repurchase agreements in the "Payables from securities financing transactions" and "Other financial liabilities designated at fair value" lines in the liabilities table presented on the following page. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial assets presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

## Note 22 Offsetting financial assets and financial liabilities (continued)

**Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements**

| | Liabilities subject to netting arrangements | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet[3] | | | Liabilities not subject to netting arrangements[4] | Total liabilities | |
| *As of 31.12.21, USD billion* | Gross liabilities before netting | Netting with gross assets[2] | Net liabilities recognized on the balance sheet | Financial assets | Collateral pledged | Liabilities after consideration of netting potential | Liabilities recognized on the balance sheet | Total liabilities after consideration of netting potential | Total liabilities recognized on the balance sheet |
| Payables from securities financing transactions | 16.9 | (12.8) | 4.1 | (1.8) | (2.3) | 0.0 | 1.4 | 1.4 | 5.5 |
| Derivative financial instruments | 118.4 | (3.6) | 114.9 | (88.9) | (18.1) | 7.9 | 6.4 | 14.3 | 121.3 |
| Cash collateral payables on derivative instruments[1] | 30.4 | 0.0 | 30.4 | (13.1) | (3.3) | 14.0 | 1.4 | 15.4 | 31.8 |
| Other financial liabilities designated at fair value | 94.8 | (88.6) | 6.2 | (2.2) | (3.8) | 0.2 | 26.3 | 26.5 | 32.4 |
| *of which: repurchase agreements* | *94.6* | *(88.6)* | *6.0* | *(2.2)* | *(3.8)* | *0.0* | *0.4* | *0.4* | *6.4* |
| Total liabilities | 260.6 | (105.0) | 155.6 | (106.0) | (27.5) | 22.1 | 35.5 | 57.6 | 191.1 |
| | | | | | | | | | |
| *As of 31.12.20, USD billion* | | | | | | | | | |
| Payables from securities financing transactions | 18.2 | (13.3) | 4.9 | (1.6) | (3.3) | 0.0 | 1.4 | 1.4 | 6.3 |
| Derivative financial instruments | 157.1 | (5.0) | 152.1 | (117.2) | (23.9) | 10.9 | 9.0 | 19.9 | 161.1 |
| Cash collateral payables on derivative instruments[1] | 35.6 | 0.0 | 35.6 | (19.6) | (2.1) | 13.9 | 1.7 | 15.7 | 37.3 |
| Other financial liabilities designated at fair value | 87.0 | (79.2) | 7.8 | (0.8) | (6.3) | 0.7 | 24.0 | 24.7 | 31.8 |
| *of which: repurchase agreements* | *86.2* | *(79.2)* | *7.0* | *(0.8)* | *(6.3)* | *0.0* | *0.3* | *0.3* | *7.3* |
| Total liabilities | 297.8 | (97.5) | 200.3 | (139.2) | (35.5) | 25.6 | 36.2 | 61.7 | 236.5 |

1 The net amount of Cash collateral payables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross assets" column corresponding to the amounts presented in the "Netting with gross liabilities" column in the assets table presented on the previous page. Netting in this column for repurchase agreements presented within the lines "Payables from securities financing transactions" and "Other financial liabilities designated at fair value" taken together corresponds to the amounts presented for reverse repurchase agreements in the "Receivables from securities financing transactions" and "Financial assets at fair value not held for trading" lines in the assets table presented on the previous page. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial liabilities presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

## Note 23 Restricted and transferred financial assets

This Note provides information about restricted financial assets (Note 23a), transfers of financial assets (Note 23b and 23c) and financial assets that are received as collateral with the right to resell or repledge these assets (Note 23d).

### a) Restricted financial assets

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and other assets that are otherwise explicitly restricted such that they cannot be used to secure funding.

Financial assets are mainly pledged as collateral in securities lending transactions, in repurchase transactions, against loans from Swiss mortgage institutions and in connection with the issuance of covered bonds. UBS AG generally enters into repurchase and securities lending arrangements under standard market agreements. For securities lending, the cash received as collateral may be more or less than the fair value of the securities loaned, depending on the nature of the transaction. For repurchase agreements, the fair value of the collateral sold under an agreement to repurchase is generally in excess of the cash borrowed. Pledged mortgage loans serve as collateral for existing liabilities against Swiss central mortgage institutions and for existing covered bond issuances of USD 10,843 million as of 31 December 2021 (31 December 2020: USD 12,456 million).

Other restricted financial assets include assets protected under client asset segregation rules, assets held by UBS AG's insurance entities to back related liabilities to the policy holders, assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements. The carrying amount of the liabilities associated with these other restricted financial assets is generally equal to the carrying amount of the assets, with the exception of assets held to comply with local asset maintenance requirements, for which the associated liabilities are greater.

**Restricted financial assets**

| *USD million* | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| | Restricted financial assets | *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *of which: mortgage loans*[1] | Restricted financial assets | *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *of which: mortgage loans*[1] |
| Financial assets pledged as collateral | | | | | | |
| Financial assets at fair value held for trading | 63,834 | *43,397* | | 64,418 | *47,098* | |
| Loans and advances to customers | 18,160 | | *16,330* | 20,361 | | *18,191* |
| Financial assets at fair value not held for trading | 961 | *961* | | 2,140 | *2,140* | |
| Debt securities classified as Other financial assets measured at amortized cost | 2,234 | *1,870* | | 2,506 | *2,506* | |
| Financial assets measured at fair value through other comprehensive income | 0 | *0* | | 149 | *149* | |
| Total financial assets pledged as collateral[2] | 85,188 | | | 89,574 | | |
| | | | | | | |
| Other restricted financial assets | | | | | | |
| Loans and advances to banks | 3,408 | | | 3,730 | | |
| Financial assets at fair value held for trading | 392 | | | 741 | | |
| Cash collateral receivables on derivative instruments | 4,747 | | | 3,765 | | |
| Loans and advances to customers | 1,237 | | | 756 | | |
| Financial assets at fair value not held for trading | 22,328 | | | 22,917 | | |
| Financial assets measured at fair value through other comprehensive income | 894 | | | 0 | | |
| Other | 97 | | | 110 | | |
| Total other restricted financial assets | 33,104 | | | 32,019 | | |
| Total financial assets pledged and other restricted financial assets | 118,292 | | | 121,593 | | |

1 All related to mortgage loans that serve as collateral for existing liabilities toward Swiss central mortgage institutions and for existing covered bond issuances. Of these pledged mortgage loans, approximately USD 2.7 billion as of 31 December 2021 (31 December 2020: approximately USD 2.7 billion) could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements. 2 Does not include assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2021: USD 4.4 billion; 31 December 2020: USD 1.3 billion).

In addition to restrictions on financial assets, UBS AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within UBS AG, as well as intercompany lending. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review process, which may limit the relevant subsidiaries' ability to make distributions of capital based on the results of those tests.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries.

Non-regulated subsidiaries are generally not subject to such requirements and transfer restrictions. However, restrictions can also be the result of different legal, regulatory, contractual, entity- or country-specific arrangements and / or requirements.

› **Refer to the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report for financial information about significant regulated subsidiaries of UBS AG**

## b) Transferred financial assets that are not derecognized in their entirety

The table below presents information for financial assets that have been transferred but are subject to continued recognition in full, as well as recognized liabilities associated with those transferred assets.

**Transferred financial assets subject to continued recognition in full**

| *USD million* | 31.12.21 | | 31.12.20 | |
|---|---|---|---|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet |
| Financial assets at fair value held for trading that may be sold or repledged by counterparties | 43,397 | 17,687 | 47,098 | 18,874 |
| *relating to securities lending and repurchase agreements in exchange for cash received* | *17,970* | *17,687* | *19,177* | *18,874* |
| *relating to securities lending agreements in exchange for securities received* | *24,146* | | *27,595* | |
| *relating to other financial asset transfers* | *1,281* | | *326* | |
| Financial assets at fair value not held for trading that may be sold or repledged by counterparties | 961 | 898 | 2,140 | 1,378 |
| Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties | 1,870 | 1,725 | 2,506 | 1,963 |
| Financial assets measured at fair value through other comprehensive income that may be sold or repledged by counterparties | 0 | 0 | 149 | 148 |
| Total financial assets transferred | 46,227 | 20,311 | 51,893 | 22,363 |

Transactions in which financial assets are transferred, but continue to be recognized in their entirety on UBS AG's balance sheet include securities lending and repurchase agreements, as well as other financial asset transfers. Repurchase and securities lending arrangements are, for the most part, conducted under standard market agreements and are undertaken with counterparties subject to UBS AG's normal credit risk control processes.

› **Refer to Note 1a item 2e for more information about repurchase and securities lending agreements**

As of 31 December 2021, approximately 41% of the transferred financial assets were assets held for trading transferred in exchange for cash, in which case the associated recognized liability represents the amount to be repaid to counterparties. For securities lending and repurchase agreements, a haircut of between 0% and 15% is generally applied to the transferred assets, which results in associated liabilities having a carrying amount below the carrying amount of the transferred assets. The counterparties to the associated liabilities presented in the table above have full recourse to UBS AG.

In securities lending arrangements entered into in exchange for the receipt of other securities as collateral, neither the securities received nor the obligation to return them are recognized on UBS AG's balance sheet, as the risks and rewards of ownership are not transferred to UBS AG. In cases where such financial assets received are subsequently sold or repledged in another transaction, this is not considered to be a transfer of financial assets.

Other financial asset transfers primarily include securities transferred to collateralize derivative transactions, for which the carrying amount of associated liabilities is not provided in the table above, because those replacement values are managed on a portfolio basis across counterparties and product types, and therefore there is no direct relationship between the specific collateral pledged and the associated liability.

Transferred financial assets that are not subject to derecognition in full but remain on the balance sheet to the extent of UBS AG's continuing involvement were not material as of 31 December 2021 and as of 31 December 2020.

**Note 23 Restricted and transferred financial assets (continued)**

## c) Transferred financial assets that are derecognized in their entirety with continuing involvement

Continuing involvement in a transferred and fully derecognized financial asset may result from contractual provisions in the particular transfer agreement or from a separate agreement, with the counterparty or a third party, entered into in connection with the transfer.

The fair value and carrying amount of UBS AG's continuing involvement from transferred positions as of 31 December 2021 and 31 December 2020 was not material. Life-to-date losses reported in prior periods primarily relate to legacy positions in securitization vehicles which have been fully marked down, with no remaining exposure to loss.

## d) Off-balance sheet assets received

The table below presents assets received from third parties that can be sold or repledged and that are not recognized on the balance sheet, but that are held as collateral, including amounts that have been sold or repledged.

**Off-balance sheet assets received**

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Fair value of assets received that can be sold or repledged | 497,828 | 500,689 |
| *received as collateral under reverse repurchase, securities borrowing and lending arrangements, derivative and other transactions[1]* | *483,426* | *487,904* |
| *received in unsecured borrowings* | *14,402* | *12,785* |
| Thereof sold or repledged[2] | 367,440 | 367,258 |
| *in connection with financing activities* | *319,176* | *315,603* |
| *to satisfy commitments under short sale transactions* | *31,688* | *33,595* |
| *in connection with derivative and other transactions[1]* | *16,575* | *18,059* |

1 Includes securities received as initial margin from its clients that UBS AG is required to remit to central counterparties, brokers and deposit banks through its exchange-traded derivative clearing and execution services. 2 Does not include off-balance sheet securities (31 December 2021: USD 12.7 billion; 31 December 2020: USD 18.9 billion) placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes for which there are no associated liabilities or contingent liabilities.

## Note 24 Maturity analysis of financial liabilities

The residual contractual maturities for non-derivative and non-trading financial liabilities as of 31 December 2021 are based on the earliest date on which UBS AG could be contractually required to pay. The total amounts that contractually mature in each time band are also shown for 31 December 2020. Derivative positions and trading liabilities, predominantly made up of short sale transactions, are assigned to the *Due within 1 month* column, as this provides a conservative reflection of the nature of these trading activities. The residual contractual maturities may extend over significantly longer periods.

**Maturity analysis of financial liabilities**

| | 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| *USD billion* | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Financial liabilities recognized on balance sheet[1] | | | | | | |
| Amounts due to banks | 6.7 | 2.4 | 3.5 | 0.6 | 0.0 | 13.1 |
| Payables from securities financing transactions | 3.8 | 0.3 | 1.6 | 0.0 | | 5.7 |
| Cash collateral payables on derivative instruments | 31.8 | | | | | 31.8 |
| Customer deposits | 531.0 | 6.6 | 3.3 | 3.9 | 0.4 | 545.1 |
| Funding from UBS Group AG[2] | 0.2 | 3.3 | 2.3 | 28.8 | 30.6 | 65.3 |
| Debt issued measured at amortized cost[2] | 3.8 | 9.4 | 38.8 | 25.1 | 7.6 | 84.7 |
| Other financial liabilities measured at amortized cost | 5.3 | 0.1 | 0.4 | 1.8 | 1.5 | 9.1 |
| *of which: lease liabilities* | *0.1* | *0.1* | *0.4* | *1.8* | *1.5* | *3.9* |
| Total financial liabilities measured at amortized cost | 582.6 | 22.1 | 49.9 | 60.2 | 40.1 | 754.8 |
| Financial liabilities at fair value held for trading[3,4] | 31.7 | | | | | 31.7 |
| Derivative financial instruments[3,5] | 121.3 | | | | | 121.3 |
| Brokerage payables designated at fair value | 44.0 | | | | | 44.0 |
| Debt issued designated at fair value[6] | 13.8 | 11.5 | 13.5 | 24.5 | 12.5 | 75.9 |
| Other financial liabilities designated at fair value | 28.1 | 0.4 | 0.5 | 0.4 | 7.1 | 36.5 |
| Total financial liabilities measured at fair value through profit or loss | 239.0 | 11.9 | 14.0 | 24.9 | 19.6 | 309.4 |
| Total | 821.6 | 34.0 | 63.9 | 85.0 | 59.6 | 1,064.2 |
| Guarantees, commitments and forward starting transactions | | | | | | |
| Loan commitments[7] | 38.3 | 0.5 | 0.7 | 0.0 | | 39.5 |
| Guarantees | 21.2 | | 0.0 | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements[7] | 1.4 | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | 0.0 | 62.1 |

| | 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| *USD billion* | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Financial liabilities recognized on balance sheet[1] | | | | | | |
| Amounts due to banks | 6.1 | 2.4 | 2.1 | 0.5 | 0.0 | 11.1 |
| Payables from securities financing transactions | 5.6 | 0.4 | 0.3 | 0.0 | 0.0 | 6.3 |
| Cash collateral payables on derivative instruments | 37.3 | | | | | 37.3 |
| Customer deposits | 514.0 | 7.8 | 3.5 | 2.8 | 0.2 | 528.2 |
| Funding from UBS Group AG[2] | 0.1 | 0.3 | 6.2 | 29.1 | 24.8 | 60.5 |
| Debt issued measured at amortized cost[2] | 8.8 | 7.8 | 38.2 | 24.5 | 8.9 | 88.2 |
| Other financial liabilities measured at amortized cost | 5.3 | 0.1 | 0.5 | 2.0 | 1.8 | 9.6 |
| *of which: lease liabilities* | *0.1* | *0.1* | *0.5* | *2.0* | *1.8* | *4.4* |
| Total financial liabilities measured at amortized cost | 577.2 | 18.9 | 50.7 | 58.8 | 35.8 | 741.3 |
| Financial liabilities at fair value held for trading[3,4] | 33.6 | | | | | 33.6 |
| Derivative financial instruments[3,5] | 161.1 | | | | | 161.1 |
| Brokerage payables designated at fair value | 38.7 | | | | | 38.7 |
| Debt issued designated at fair value[6] | 21.9 | 16.8 | 7.1 | 9.2 | 6.0 | 61.0 |
| Other financial liabilities designated at fair value | 27.9 | 0.6 | 0.6 | 0.7 | 4.6 | 34.3 |
| Total financial liabilities measured at fair value through profit or loss | 283.2 | 17.4 | 7.7 | 9.8 | 10.6 | 328.8 |
| Total | 860.3 | 36.3 | 58.4 | 68.6 | 46.4 | 1,070.0 |
| Guarantees, commitments and forward starting transactions | | | | | | |
| Loan commitments[7] | 40.5 | 0.5 | 0.4 | 0.0 | | 41.4 |
| Guarantees | 17.5 | | | | | 17.5 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements[7] | 3.2 | | | | | 3.2 |
| Total | 61.3 | 0.5 | 0.4 | 0.0 | 0.0 | 62.2 |

1 Except for financial liabilities at fair value held for trading and derivative financial instruments (see footnote 3), the amounts presented generally represent undiscounted cash flows of future interest and principal payments. 2 The time-bucket Due after 5 years includes perpetual loss-absorbing additional tier 1 capital instruments. 3 Carrying amount is fair value. Management believes that this best represents the cash flows that would have to be paid if these positions had to be settled or closed out. 4 Contractual maturities of financial liabilities at fair value held for trading are: USD 30.8 billion due within 1 month (31 December 2020: USD 32.6 billion), USD 0.9 billion due between 1 month and 1 year (31 December 2020: USD 1.0 billion) and USD 0 billion due between 1 and 5 years (31 December 2020: USD 0 billion). 5 Includes USD 34 million (31 December 2020: USD 32 million) related to fair values of derivative loan commitments and forward starting reverse repurchase agreements classified as derivatives, presented within "Due within 1 month." The full contractual committed amount of USD 36.0 billion (31 December 2020: USD 31.3 billion) is presented in Note 10 under notional amounts. 6 Future interest payments on variable-rate liabilities are determined by reference to the applicable interest rate prevailing as of the reporting date. Future principal payments that are variable are determined by reference to the conditions existing at the relevant reporting date. 7 Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

## Note 25 Interest rate benchmark reform

### Background

A market-wide reform of major interest rate benchmarks is being undertaken globally, with the Financial Conduct Authority (the FCA) announcing in March 2021 that the publication of London Interbank Offered Rates (LIBORs) would cease after 31 December 2021 for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

The majority of UBS AG's IBOR exposure was linked to CHF LIBOR and USD LIBOR. The alternative reference rate (the ARR) for CHF LIBOR is the Swiss Average Rate Overnight (SARON). The ARR for USD LIBOR is the Secured Overnight Financing Rate (SOFR); in addition, there are recommended ARRs for GBP LIBOR, JPY LIBOR and EUR LIBOR.

The Euro Interbank Offered Rate (EURIBOR) was reformed in 2019, with the reform consisting of a change in the underlying calculation method. Consequently, contracts linked to EURIBOR are not considered throughout the rest of this Note.

On 25 January 2021, the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, which amend the International Swaps and Derivatives Association (ISDA) standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs, came into effect. From that date, all newly cleared and non-cleared derivatives between adhering parties that reference ISDA standard definitions now include these fallbacks. UBS AG adhered to the protocol in November 2020.

UBS AG's focus throughout 2021 was on transitioning existing contracts via bi-lateral and multi-lateral agreements, by leveraging industry solutions (e.g., the use of fallback provisions) and through third-party actions (those by clearing houses, agents, etc.). UBS AG has established a framework to address the transition of contracts that do not contain adequate fallback provisions. Furthermore, in line with regulatory guidance, UBS AG has implemented a framework to limit new contracts referencing IBORs.

### Governance over the transition to alternative benchmark rates

UBS AG established a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS AG's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. During 2021, progress was overseen centrally via a monthly operating committee and a monthly steering committee, as well as quarterly updates to the joint Audit and Risk Committees. A dedicated Group-wide forum, with an increased US regional focus, will oversee progress of the remaining USD LIBOR transition.

### Risks

A core part of UBS AG's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS AG and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARRs, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS AG's front-to-back processes and systems to accommodate the transition, e.g., data sourcing and processing and bulk migration of contracts; and
- legal and conduct risks relating to UBS AG's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness – such as liquidity in ARR-equivalent products – and a client's technical readiness to handle ARR market conventions. UBS AG remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines, given the significant progress made as of 31 December 2021. UBS AG did not have and does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

## Transition progress

### Non-derivative instruments

UBS AG's significant non-derivative exposures subject to IBOR reform primarily related to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs. During 2020, UBS AG transitioned most of its CHF LIBOR-linked deposits to SARON. In that same year, UBS AG launched SARON-based mortgages and corporate loans based on all major ARRs in the Swiss market, as well as SOFR-based mortgages in the US market.

Throughout 2021, UBS AG transitioned substantially all of its private and corporate loans linked to non-USD IBORs, with the remaining CHF LIBOR-linked contracts planned to transition on their first roll date in 2022.

In addition, as of 31 December 2021 UBS AG had completed the transition of IBOR-linked non-derivative financial assets and liabilities related to brokerage accounts, except for balances originated in the US, which transitioned to SOFR in January 2022.

In March 2021, following the FCA announcement regarding the cessation timelines for IBORs, UBS AG initiated a centralized communication initiative for private mortgages linked to CHF LIBOR, with the objective of transitioning these exposures, either through the activation of existing fallbacks or the amendment of contractual terms where such fallbacks do not exist. During 2021, mortgages that were linked to CHF LIBOR were reduced to USD 21 billion as of 31 December 2021, with these remaining mortgages automatically transitioning to SARON from their next coupon roll date.

The transition of US securities-based lending to SOFR, amounting to USD 37 billion as of 31 December 2021, was for the most part completed in January 2022, with US mortgages linked to USD LIBOR planned to transition to SOFR in 2022–2023.

As of 31 December 2021, UBS AG had approximately USD 3 billion equivalent of Japanese yen- and US dollar-denominated funding from UBS Group AG that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR and USD LIBOR. These bonds have robust IBOR fallback language and the confirmation of interest rate calculation mechanics will be communicated as market standards formalize and in advance of any rate resets. In addition, several US dollar- and Swiss franc-denominated contracts providing funding from UBS Group AG reference rates indirectly derived from IBORs, if they are not called on their respective call dates. UBS AG aims to transition these contracts in advance of their reset dates, with the transition of Swiss franc-denominated funding completed in January 2022. These debt instruments have not been included in the table on the following page, given their current fixed-rate coupon.

As of 31 December 2021, UBS AG had approximately USD 5 billion of irrevocable commitments that may be drawn down in different currencies with IBOR-linked interest rates and that expire after the relevant benchmark cessation dates; approximately USD 3 billion of these contracts had transitioned for all IBORs, except USD LIBOR, and USD 2 billion of these commitments retained a non-USD IBOR interest rate as of 31 December 2021 with transition dependent upon the actions of other parties. To the extent non-USD IBOR-linked amounts are requested under these contracts, UBS AG will seek to renegotiate current terms or rely on legislative solutions.

### Derivative instruments

UBS AG holds derivatives for trading and hedging purposes, including those designated in hedge accounting relationships. A significant number of interest rate and cross-currency swaps have floating legs that reference various benchmarks that are subject to IBOR reform.

The majority of derivatives are transacted with clearing houses, in particular LCH, with the transition of these non-USD IBOR-linked derivatives substantially completed in December 2021. UBS AG had also completed the transition of all non-USD IBOR-linked exchange-traded derivatives (ETDs) through participation in activities organized by respective exchanges by 31 December 2021.

For derivatives not transacted with clearing houses or exchanges, UBS AG and a significant proportion of UBS AG's counterparties have adhered to the ISDA IBOR Fallbacks Protocol, which builds in agreed fallbacks. The majority of these contracts had transitioned as of 31 December 2021, with a small number of contracts transitioned in January 2022, to ensure an orderly transition when converting high volumes of transactions at the time of cessation.

## Note 25 Interest rate benchmark reform (continued)

### Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS AG's business divisions where UBS AG has material exposures subject to IBOR reform that have not yet transitioned to ARRs, and that:

– contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
– have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process.

In line with information provided to management and external parties monitoring UBS AG's transition progress, the table below includes the following financial metrics for instruments external to UBS AG that are subject to interest rate benchmark reform:

– gross carrying value / exposure for non-derivative financial instruments; and
– total trade count for derivative financial instruments.

The exposures included in the table below represent the maximum IBOR exposure, without regard for early termination rights, with the actual exposure being dependent upon client preferences and investment decisions.

As of 31 December 2021, UBS AG had made significant progress in transitioning LIBOR exposures to ARRs. The remaining non-USD LIBOR-linked exposures included in the table below primarily relate to derivatives that successfully transitioned in January 2022 and CHF LIBOR mortgages that will automatically transition to SARON on their first roll date in 2022.

| | | 31.12.21 | | | | |
|---|---|---|---|---|---|---|
| | | LIBOR benchmark rates | | | | |
| | Measure | CHF | USD | GBP | EUR[1] | JPY |
| Carrying value of non-derivative financial instruments | | | | | | |
| Total non-derivative financial assets | USD million | 21,616[2] | 65,234[3] | 45[4] | 1 | 0 |
| Total non-derivative financial liabilities | USD million | 27[4] | 1,985[4] | 3[4] | 5[5] | 0 |
| Trade count of derivative financial instruments | | | | | | |
| Total derivative financial instruments | Trade count | 829[6] | 40,500[7] | 183[6] | 3,744[6] | 184[6] |
| Off-balance sheet exposures | | | | | | |
| Total irrevocable loan commitments | USD million | 0 | 11,863[8] | 0 | 0 | 0 |

1 Relates primarily to EUR LIBOR positions. 2 Relates primarily to CHF LIBOR mortgages, which will automatically transition to SARON on their first roll date in 2022. 3 Includes USD LIBOR securities-based lending and brokerage accounts, amounting to USD 37 billion, and USD 5 billion respectively, which for the most part transitioned to SOFR in January 2022, as well as USD 1 billion of loans related to revolving multi-currency credit lines, where IBOR transition efforts are complete, except for USD LIBOR. The remainder primarily relates to US mortgages and corporate lending. 4 Relates to floating-rate notes that per their contractual terms can reset to rates linked to LIBOR, with transition dependent upon the actions of respective issuers. 5 Relates to contracts that transitioned in January 2022. 6 Includes predominantly bilateral derivatives, which transitioned in January 2022, and an insignificant amount of cleared derivatives, where the respective clearing houses' organized transition happened in January 2022. 7 Includes approximately 5,000 cross-currency derivatives, of which approximately 500 have both a non-USD LIBOR leg and a USD LIBOR leg, where the non-USD leg transitioned in January 2022 before the next fixing date. The remainder represents cross-currency swaps with an ARR leg and a USD IBOR leg. 8 Includes loan commitments that can be drawn in different currencies at the client's discretion, of which approximately USD 3 billion have only USD LIBOR exposure remaining and approximately USD 2 billion retain a non-USD LIBOR interest rate as of 31 December 2021, with transition dependent upon the actions of other parties. The remainder represents loan commitments that can be drawn in US dollars only and will transition in 2022–2023.

## Derivatives designated in hedge accounting relationships

UBS AG applies hedge accounting to interest rate risk and foreign exchange risk including structural foreign exchange risk related to net investments in foreign operations.

› **Refer to "Market risk" in the "Risk management and control" section of this report for more information about how risks arise and how they are managed by UBS AG**

### Hedging instruments and hedged risk

Interest rate swaps are designated in fair value hedges or cash flow hedges of interest rate risk arising solely from changes in benchmark interest rates. Fair value changes arising from such risk are usually the largest component of the overall change in the fair value of the hedged position in transaction currency.

Cross-currency swaps are designated as fair value hedges of foreign exchange risk. Foreign exchange forwards and foreign exchange swaps are mainly designated as hedges of structural foreign exchange risk related to net investments in foreign operations. In both cases the hedged risk arises solely from changes in spot foreign exchange rate.

The notional of the designated hedging instruments matches the notional of the hedged items, except when the interest rate swaps are re-designated in cash flow hedges, in which case the hedge ratio designated is determined based on the swap sensitivity.

### Hedged items and hedge designation

#### *Fair value hedges of interest rate risk related to debt instruments and loan assets*

Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with the debt issued, debt securities held and, from 2021 onward, loan assets (principally long-term fixed-rate mortgage loans in Swiss francs formerly designated within "Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39") to floating cash flows by entering into interest rate swaps that either receive fixed and pay floating cash flows or that pay fixed and receive floating cash flows.

Designations have been made in US dollars, euros, Swiss francs, Australian dollars, Japanese yen and Singapore dollars. For new hedging instruments and hedged risk designations entered into in 2021 in these currencies (with the exception of euro), the benchmark rate was the relevant alternative reference rate (ARR). Following the interbank offered rate (IBOR) transition for swaps with LCH (formerly the London Clearing House) in December 2021, the benchmark hedge rate for Swiss franc and Japanese yen designations was changed from an IBOR rate to the relevant ARR with the hedge relationship continuing in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).*

#### *Fair value hedges of portfolio interest rate risk related to loans designated under IAS 39*

Prior to December 2021, UBS AG hedged an open portfolio of long-term fixed-rate mortgage loans in Swiss francs using interest rate swaps that paid a fixed rate of interest and received a floating rate of interest. Both the hedged portfolio and the hedging instruments were adjusted on a monthly basis to reflect changes in size and the maturity profile of the hedged portfolio. Each month the hedge relationship was discontinued and a new one designated. Changes in the portfolio were driven by new loans being originated or loans being repaid.

#### *Cash flow hedges of forecast transactions*

UBS AG hedges forecast cash flows on non-trading financial assets and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future, due to movements in future market rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of UBS AG, which is hedged with interest rate swaps, the maximum maturity of which is 10 years. Cash flow forecasts and risk exposures are monitored and adjusted on an ongoing basis, and consequently additional hedging instruments are traded and designated, or are terminated resulting in a hedge discontinuance. Hedge designations have been made in the following currencies: US dollars, euros, Swiss francs, pounds sterling and Hong Kong dollars. The cash flow hedges in US dollars, Swiss francs and pounds sterling were discontinued and replaced with new ARR designations in December 2021.

#### *Fair value hedges of foreign exchange risk related to issued debt instruments*

Debt instruments denominated in currencies other than the US dollar are designated in fair value hedges of spot foreign exchange risk, in addition to and separate from the fair value hedges of interest rate risk. Cross currency swaps economically convert debt denominated in currencies other than the US dollar to US dollars. This hedge accounting program started on 1 January 2020, with the adoption of the hedge accounting requirements of IFRS 9, *Financial Instruments,* by UBS AG.

› **Refer to Note 1b for more information**

#### *Hedges of net investments in foreign operations*

UBS AG applies hedge accounting for certain net investments in foreign operations, which include subsidiaries, branches and associates. Upon maturity of hedging instruments, typically two months, the hedge relationship is terminated and new designations are made to reflect any changes in the net investments in foreign operations.

**Note 26 Hedge accounting (continued)**

## Economic relationship between hedged item and hedging instrument

For hedges designated under IFRS 9, the economic relationship between the hedged item and the hedging instrument is determined based on a qualitative analysis of their critical terms. In cases where hedge designation takes place after origination of the hedging instrument, a quantitative analysis of the possible behavior of the hedging derivative and the hedged item during their respective terms is also performed.

Prior to December 2021, for the fair value hedge of portfolio interest rate risk related to loans designated under IAS 39, hedge effectiveness was assessed by comparing changes in the fair value of the hedged portfolio of loans attributable to changes in the designated benchmark interest rate with the changes in the fair value of the interest rate swaps.

## Sources of hedge ineffectiveness

In hedges of interest rate risk, hedge ineffectiveness can arise from mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, or from entering into a hedge relationship after the trade date of the hedging derivative.

In hedges of foreign exchange risk related to debt issued, hedge ineffectiveness can arise due to the discounting of the hedging instruments and undesignated risk components and lack of such discounting and risk components in the hedged items.

In hedges of net investments in foreign operations, ineffectiveness is unlikely unless the hedged net assets fall below the designated hedged amount. The exceptions are hedges where the hedging currency is not the same as the currency of the foreign operation, where the currency basis may cause ineffectiveness.

Hedge ineffectiveness from financial instruments measured at fair value through profit or loss is recognized in *Other net income.*

## Derivatives not designated in hedge accounting relationships

Non-hedge accounted derivatives are mandatorily held for trading with all fair value movements taken to *Other net income from financial instruments measured at fair value through profit or loss*, even when held as an economic hedge or to facilitate client clearing. The one exception relates to forward points on certain short- and long-duration foreign exchange contracts acting as economic hedges, which are reported in *Net interest income.*

**All hedges: designated hedging instruments and hedge ineffectiveness**

| | As of or for the year ended 31.12.21 | | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Changes in fair value of hedging instruments[1] | Changes in fair value of hedged items[1] | Hedge ineffectiveness recognized in the income statement |
| Interest rate risk | | | | | | |
| Fair value hedges | 89,525 | 0 | 7 | (1,604) | 1,602 | (2) |
| Cash flow hedges | 79,573 | 12 | 1 | (1,185) | 990 | (196) |
| Foreign exchange risk | | | | | | |
| Fair value hedges[2] | 27,875 | 87 | 261 | (2,139) | 2,181 | 42 |
| Hedges of net investments in foreign operations | 13,761 | 23 | 103 | 492 | (491) | 0 |

| | As of or for the year ended 31.12.20 | | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Changes in fair value of hedging instruments[1] | Changes in fair value of hedged items[1] | Hedge ineffectiveness recognized in the income statement |
| Interest rate risk | | | | | | |
| Fair value hedges | 80,759 | | 12 | 1,231 | (1,247) | (16) |
| Cash flow hedges | 72,732 | 18 | | 2,213 | (2,012) | 201 |
| Foreign exchange risk | | | | | | |
| Fair value hedges[2] | 21,555 | 449 | 7 | (1,735) | 1,715 | (20) |
| Hedges of net investments in foreign operations | 13,634 | 3 | 193 | (939) | 938 | (2) |

1 Amounts used as the basis for recognizing hedge ineffectiveness for the period. 2 The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the hedge accounting designation and accounted for as a cost of hedging with amounts deferred in Other comprehensive income within Equity.

## Note 26 Hedge accounting (continued)

### Fair value hedges: designated hedged items

| USD million | 31.12.21 Interest rate risk | 31.12.21 FX risk | 31.12.20 Interest rate risk | 31.12.20 FX risk |
|---|---|---|---|---|
| Debt issued measured at amortized cost | | | | |
| Carrying amount of designated debt issued | 21,653 | 11,392 | 24,247 | 10,889 |
| *of which: accumulated amount of fair value hedge adjustment* | *261* | | *761* | |
| Funding from UBS Group AG | | | | |
| Carrying amount of designated debt instruments | 53,047 | 16,483 | 46,182 | 10,666 |
| *of which: accumulated amount of fair value hedge adjustment* | *218* | | *1,640* | |
| Other financial assets measured at amortized cost – debt securities | | | | |
| Carrying amount of designated debt securities | 2,677 | | 3,242 | |
| *of which: accumulated amount of fair value hedge adjustment* | *(7)* | | *(38)* | |
| Loans and advances to customers[1] | | | | |
| Carrying amount of designated loans | 13,835 | | 10,374 | |
| *of which: accumulated amount of fair value hedge adjustment[2]* | *(109)* | | *100* | |
| *of which: accumulated amount of fair value hedge adjustment subject to amortization attributable to the portion of the portfolio that ceased to be part of hedge accounting[2]* | *3* | | *111* | |

1 Prior to 31 December 2021, these amounts were designated in fair value hedges of portfolio interest rate risk under IAS 39. 2 As of 31 December 2021, the amount was presented within Loans and advances to customers, whereas prior to 1 January 2021 amounts were presented within either Other financial assets measured at amortized cost or Other financial liabilities measured at amortized cost.

### Fair value hedges: profile of the timing of the nominal amount of the hedging instrument

| USD billion | 31.12.21 Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| Interest rate swaps | 0 | 8 | 10 | 49 | 22 | 90 |
| Cross-currency swaps | 1 | 1 | 6 | 13 | 6 | 28 |

| USD billion | 31.12.20 Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| Interest rate swaps[1] | 0 | 4 | 9 | 46 | 12 | 70 |
| Cross-currency swaps | 0 | 0 | 4 | 16 | 2 | 22 |

1 In accordance with IFRS 7 requirements, the fair value hedges of portfolio interest rate risk related to loans and advances to customers designated under IAS 39 are not included.

### Cash flow hedge reserve on a pre-tax basis

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | 26 | 2,560 |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 743 | 296 |
| Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis | 769 | 2,856 |

### Foreign currency translation reserve on a pre-tax basis

| USD million | 31.12.21 | 31.12.20 |
|---|---|---|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (61) | (569) |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 262 | 268 |
| Total other comprehensive income recognized directly in equity related to hedging instruments designated as net investment hedges, on a pre-tax basis | 201 | (302) |

**Note 26 Hedge accounting (continued)**

## Interest rate benchmark reform

UBS AG continues to apply the relief provided by *Interest Rate Benchmark Reform* (amendments to IFRS 9, IAS 39 and IFRS 7), published by the IASB in September 2019.

The interest rate benchmarks subject to interest rate benchmark reforms to which the Group's hedge relationships were exposed were USD LIBOR, CHF LIBOR, GBP LIBOR, AUD LIBOR, JPY LIBOR, HKD LIBOR, SGD LIBOR and EONIA. Interest rate swaps designated in hedge relationships referencing GBP, CHF and JPY LIBOR transitioned to ARRs in December 2021 when LCH transitioned its contracts. For other currencies, IBOR quotations remain available, but all new designations will reference ARR. As such, ARR designations in these currencies will replace IBOR designations as IBOR contracts mature.

UBS AG's hedge relationships are also exposed to the Euro Inter-bank Offered Rate (EURIBOR), which is expected to continue to exist as a benchmark rate for the foreseeable future. Thus, the Group does not consider its hedges involving the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform.

Apart from EURIBOR hedges, UBS AG applied the relief to all its fair value hedges of interest rate risk and to those cash flow hedge relationships where the hedged risk is LIBOR or EONIA. The following table provides details on the notional amount and carrying amount of the hedging instruments in those hedge relationships maturing after 31 December 2021, or 30 June 2023 for USD LIBOR hedges, which are the cessation dates of the applicable interest rate benchmarks.

Hedges of net investments in foreign operations are not affected by the amendments.

› **Refer to Note 1a item 2j for more information about the relief provided by the amendments to IFRS 9, IAS 39 and IFRS 7 related to interest rate benchmark reform**

› **Refer to Note 25 Interest rate benchmark reform for more information about the transition progress**

**Hedging instruments referencing LIBOR**

| | 31.12.21 | | | 31.12.20 | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | | | Carrying amount | |
| *USD million* | Notional amount | Derivative financial assets | Derivative financial liabilities | Notional amount | Derivative financial assets | Derivative financial liabilities |
| Interest rate risk | | | | | | |
| Fair value hedges | 23,367 | 0 | 0 | 37,146 | 1 | (12) |
| Cash flow hedges | 10,803 | 0 | 0 | 11,179 | 0 | 0 |

## Note 27 Post-employment benefit plans

### a) Defined benefit plans

UBS AG has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are located in Switzerland, the UK, the US and Germany. The level of benefits depends on the specific plan rules.

#### Swiss pension plan

The Swiss pension plan covers employees of UBS AG in Switzerland and employees of companies in Switzerland having close economic or financial ties with UBS AG, and exceeds the minimum benefit requirements under Swiss pension law.

In 2017, a significant number of employees were transferred from UBS AG to UBS Business Solutions AG, which is a directly held subsidiary of UBS Group AG. There continues to be one pooled pension plan in Switzerland covering the employees of UBS AG and those transferred to UBS Business Solutions AG. UBS AG and UBS Business Solutions AG both are legal sponsors of UBS's Swiss pension plan. Since the date of the employee transfer, UBS AG and UBS Business Solutions AG apply proportionate defined benefit accounting, i.e., the net pension cost and the net pension asset / liability of the Swiss pension plan are allocated proportionally between UBS AG and UBS Business Solutions AG based on the aggregated net pension cost and defined benefit obligations related to their employees.

The Swiss plan offers retirement, disability and survivor benefits and is governed by a Pension Foundation Board. The responsibilities of this board are defined by Swiss pension law and the plan rules.

Savings contributions to the Swiss plan are paid by both employer and employee. Depending on the age of the employee, UBS AG pays a savings contribution that ranges between 6.5% and 27.5% of contributory base salary and between 2.8% and 9% of contributory variable compensation. UBS AG also pays risk contributions that are used to fund disability and survivor benefits. Employees can choose the level of savings contributions paid by them, which vary between 2.5% and 13.5% of contributory base salary and between 0% and 9% of contributory variable compensation, depending on age and choice of savings contribution category.

The plan offers to members at the normal retirement age of 65 a choice between a lifetime pension and a partial or full lump sum payment. Participants can choose to draw early retirement benefits starting from the age of 58, but can also continue employment and remain active members of the plan until the age of 70. Employees have the opportunity to make additional purchases of benefits to fund early retirement benefits.

The pension amount payable to a participant is calculated by applying a conversion rate to the accumulated balance of the participant's retirement savings account at the retirement date. The balance is based on credited vested benefits transferred from previous employers, purchases of benefits, and the employee and employer contributions that have been made to the participant's retirement savings account, as well as the interest accrued. The annual interest rate credited to participants is determined by the Pension Foundation Board at the end of each year.

Although the Swiss plan is based on a defined contribution promise under Swiss pension law, it is accounted for as a defined benefit plan under IFRS, primarily because of the obligation to accrue interest on the participants' retirement savings accounts and the payment of lifetime pension benefits.

An actuarial valuation in accordance with Swiss pension law is performed regularly. Should an underfunded situation on this basis occur, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a maximum period of 10 years. If a Swiss plan were to become significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In this situation, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. As of 31 December 2021, the Swiss plan had a technical funding ratio in accordance with Swiss pension law of 134.8% (31 December 2020: 132.6%).

The investment strategy of the Swiss plan complies with Swiss pension law, including the rules and regulations relating to diversification of plan assets, and is derived from the risk budget defined by the Pension Foundation Board on the basis of regularly performed asset and liability management analyses. The Pension Foundation Board strives for a medium- and long-term balance between assets and liabilities.

As of 31 December 2021, the Swiss plan was in a surplus situation on an IFRS measurement basis, as the fair value of the plan's assets exceeded the defined benefit obligation (DBO) by USD 3,716 million (31 December 2020: a surplus of USD 2,739 million). However, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit, which equals the difference between the present value of the estimated future net service cost and the present value of the estimated future employer contributions. As of both 31 December 2021 and 31 December 2020, the estimated future economic benefit was zero and hence no net defined benefit asset was recognized on the balance sheet.

##### *Changes to the Swiss pension plan in 2019*

The Pension Foundation Board and UBS AG agreed to implement measures that took effect from the start of 2019 to support the long-term financial stability of the Swiss pension fund. The measures, among other things, lowered the conversion rate and increased the normal retirement age from 64 to 65. Pensions already in payment on 1 January 2019 were not affected.

To mitigate the effects for active participants, UBS AG committed to pay an extraordinary contribution of up to CHF 450 million (USD 494 million at the closing exchange rate on 31 December 2021) in three installments in 2020, 2021 and 2022. Two installments of USD 143 million and USD 152 million paid in 2020 and 2021 reduced OCI with no effect on the income statement.

The third installment, CHF 116 million (USD 127 million at the closing exchange rate on 31 December 2021), will be paid in the first quarter of 2022. The regular employer contributions to be made to the Swiss plan in 2022 are estimated at USD 277 million.

**Note 27 Post-employment benefit plans (continued)**

UK pension plan

The UK plan is a career-average revalued earnings scheme, and benefits increase automatically based on UK price inflation. The normal retirement age for participants in the UK plan is 60. The plan provides guaranteed lifetime pension benefits to participants upon retirement. The UK plan has been closed to new entrants for more than 20 years and, since 2013, participants are no longer accruing benefits for current or future service. Instead, employees participate in the UK defined contribution plan.

The governance responsibility for the UK plan lies jointly with the Pension Trustee Board and UBS AG. The employer contributions to the pension fund reflect agreed-upon deficit funding contributions, which are determined on the basis of the most recent actuarial valuation using assumptions agreed by the Pension Trustee Board and UBS AG. In the event of underfunding, UBS AG and the Pension Trustee Board must agree on a deficit recovery plan within statutory deadlines. In 2021, UBS AG made no deficit funding contributions to the UK plan. In 2020, UBS AG made deficit funding contributions of USD 46 million.

The plan assets are invested in a diversified portfolio of financial assets, which include a longevity swap with an external insurance company. This swap enables the UK pension plan to hedge the risk between expected and actual longevity, which should mitigate volatility in the net defined benefit asset / liability. As of 31 December 2021, the longevity swap had a negative value of USD 3 million (31 December 2020: zero).

In 2019, UBS AG and the Pension Trustee Board entered into an arrangement whereby a collateral pool was established to provide security for the pension fund. The value of the collateral pool as of 31 December 2021 was USD 337 million (31 December 2020: USD 347 million) and includes corporate bonds, government-related debt instruments and other financial assets. The arrangement provides the Pension Trustee Board dedicated access to a pool of assets in the event of UBS AG's insolvency or not paying a required deficit funding contribution.

The employer contributions to be made to the UK defined benefit plan in 2022 are estimated at USD 5 million, subject to regular funding reviews during the year.

US pension plans

There are two distinct major defined benefit plans in the US, with a normal retirement age of 65. Both plans were closed to new entrants more than 20 years ago. Since they closed, new employees have participated in a defined contribution plan.

One of the defined benefit plans is a contribution-based plan in which each participant accrues a percentage of salary in a retirement savings account. The retirement savings account is credited annually with interest based on a rate that is linked to the average yield on one-year US government bonds. For the other defined benefit plan, retirement benefits accrue based on the career-average earnings of each individual plan participant. Former employees with vested benefits have the option to take a lump sum payment or a lifetime annuity.

As required under applicable pension laws, both plans have fiduciaries who, together with UBS AG, are responsible for the governance of the plans.

The plan assets of both plans are invested in diversified portfolios of financial assets. Each plan's fiduciaries are responsible for the investment decisions with respect to the plan assets.

The employer contributions to be made to the US defined benefit plans in 2022 are estimated at USD 10 million.

German pension plans

There are two defined benefit plans in Germany, which are both unfunded. The normal retirement age is 65 and benefits are paid directly by UBS AG. In the larger of the two plans each participant accrues a percentage of salary in a retirement savings account. The accumulated account balance of the participant is credited on an annual basis with guaranteed interest at a rate of 5%. The plan has been closed to new entrants and all participants younger than the age of 55 no longer accrue benefits. In the other plan, amounts are accrued annually based on employee elections related to variable compensation. For this plan, the accumulated account balance is credited on an annual basis with a guaranteed interest rate of 6% for amounts accrued before 2010, of 4% for amounts accrued from 2010 to 2017 and of 0.9% for amounts accrued after 2017. Both plans are subject to German pension law, whereby the responsibility to pay pension benefits when they are due resides entirely with UBS AG. A portion of the pension payments is directly increased in line with price inflation.

In June 2021, UBS AG implemented a new funded pension plan with interest credited to participants equal to actual investment returns with a guaranteed minimum of 0%. The plan was implemented retrospectively for new hires since June 2018 and for all eligible active participants younger than 55 from July 2021. Each participant accrues a percentage of salary in a retirement savings account.

The employer contributions to be made to the German defined benefit plans in 2022 are estimated at USD 12 million.

Financial information by plan

The tables on the following pages provide an analysis of the movement in the net asset / liability recognized on the balance sheet for defined benefit plans, as well as an analysis of amounts recognized in net profit and in *Other comprehensive income*.

## Note 27 Post-employment benefit plans (continued)

**Defined benefit plans**

| *USD million* | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Defined benefit obligation at the beginning of the year | 15,619 | 13,809 | 4,162 | 3,654 | 1,905 | 1,820 | 21,686 | 19,283 |
| Current service cost | 285 | 262 | 0 | 0 | 6 | 6 | 291 | 268 |
| Interest expense | 33 | 40 | 58 | 73 | 30 | 45 | 122 | 159 |
| Plan participant contributions | 161 | 159 | 0 | 0 | 0 | 0 | 161 | 159 |
| Remeasurements | 490 | 677 | 71 | 449 | (62) | 105 | 498 | 1,231 |
| *of which: actuarial (gains) / losses due to changes in demographic assumptions* | *26* | *(53)* | *14* | *(14)* | *4* | *(34)* | *45* | *(101)* |
| *of which: actuarial (gains) / losses due to changes in financial assumptions* | *(385)* | *565* | *(3)* | *505* | *(78)* | *134* | *(466)* | *1,204* |
| *of which: experience (gains) / losses[1,2]* | *848* | *165* | *59* | *(42)* | *12* | *5* | *919* | *127* |
| Past service cost related to plan amendments | 0 | 0 | 0 | 3 | 4 | 0 | 4 | 3 |
| Curtailments | (49) | 0 | 0 | 0 | 0 | 0 | (49) | 0 |
| Benefit payments | (602) | (641) | (148) | (148) | (112) | (108) | (862) | (898) |
| Other movements | 0 | (4) | 0 | 0 | 1 | 0 | 1 | (4) |
| Foreign currency translation | (456) | 1,317 | (38) | 132 | (33) | 37 | (527) | 1,486 |
| Defined benefit obligation at the end of the year | 15,480 | 15,619 | 4,105 | 4,162 | 1,740 | 1,905 | 21,324 | 21,686 |
| *of which: amounts owed to active members* | *8,604* | *8,290* | *150* | *159* | *222* | *245* | *8,976* | *8,694* |
| *of which: amounts owed to deferred members* | *0* | *0* | *1,593* | *1,879* | *669* | *743* | *2,262* | *2,622* |
| *of which: amounts owed to retirees* | *6,876* | *7,329* | *2,362* | *2,124* | *849* | *917* | *10,086* | *10,370* |
| *of which: funded plans* | *15,480* | *15,619* | *4,105* | *4,162* | *1,222* | *1,319* | *20,806* | *21,100* |
| *of which: unfunded plans* | *0* | *0* | *0* | *0* | *518* | *586* | *518* | *586* |
| Fair value of plan assets at the beginning of the year | 18,358 | 15,908 | 4,149 | 3,658 | 1,360 | 1,299 | 23,867 | 20,864 |
| Return on plan assets excluding interest income[2] | 1,319 | 962 | 277 | 388 | 40 | 118 | 1,637 | 1,469 |
| Interest income | 42 | 48 | 58 | 73 | 26 | 38 | 127 | 159 |
| Employer contributions | 450 | 436 | 0 | 46 | 16 | 17 | 466 | 499 |
| Plan participant contributions | 161 | 159 | 0 | 0 | 0 | 0 | 161 | 159 |
| Benefit payments | (602) | (641) | (148) | (148) | (112) | (108) | (862) | (898) |
| Administration expenses, taxes and premiums paid | (8) | (8) | 0 | 0 | (4) | (4) | (11) | (11) |
| Other movements | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Foreign currency translation | (524) | 1,495 | (39) | 132 | 0 | 0 | (563) | 1,626 |
| Fair value of plan assets at the end of the year | 19,196 | 18,358 | 4,297 | 4,149 | 1,329 | 1,360 | 24,821 | 23,867 |
| Surplus / (deficit) | 3,716 | 2,739 | 192 | (13) | (411) | (545) | 3,497 | 2,181 |
| Asset ceiling effect at the beginning of the year | 2,739 | 2,099 | 0 | 0 | 0 | 0 | 2,739 | 2,099 |
| Interest expense on asset ceiling effect | 8 | 7 | 0 | 0 | 0 | 0 | 8 | 7 |
| Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect | 1,037 | 457 | 0 | 0 | 0 | 0 | 1,037 | 457 |
| Foreign currency translation | (68) | 176 | 0 | 0 | 0 | 0 | (68) | 176 |
| Asset ceiling effect at the end of the year | 3,716 | 2,739 | 0 | 0 | 0 | 0 | 3,716 | 2,739 |
| Net defined benefit asset / (liability) of major plans | 0 | 0 | 192 | (13) | (411) | (545) | (219) | (558) |
| Net defined benefit asset / (liability) of remaining plans | | | | | | | (96) | (112) |
| Total net defined benefit asset / (liability) | | | | | | | (315) | (670) |
| *of which: Net defined benefit asset* | | | | | | | *302* | *42* |
| *of which: Net defined benefit liability[3]* | | | | | | | *(617)* | *(711)* |

1 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 2 Includes the effect from employees being transferred between UBS AG and UBS Business Solutions during the period. 3 Refer to Note 19c.

## Note 27 Post-employment benefit plans (continued)

Income statement – expenses related to defined benefit plans[1]

| USD million | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| For the year ended | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Current service cost | 285 | 262 | 0 | 0 | 6 | 6 | 291 | 268 |
| Interest expense related to defined benefit obligation | 33 | 40 | 58 | 73 | 30 | 45 | 122 | 159 |
| Interest income related to plan assets | (42) | (48) | (58) | (73) | (26) | (38) | (127) | (159) |
| Interest expense on asset ceiling effect | 8 | 7 | 0 | 0 | 0 | 0 | 8 | 7 |
| Administration expenses, taxes and premiums paid | 8 | 8 | 0 | 0 | 4 | 4 | 11 | 11 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 3 | 4 | 0 | 4 | 3 |
| Curtailments | (49) | 0 | 0 | 0 | 0 | 0 | (49) | 0 |
| Net periodic expenses recognized in net profit for major plans | 243 | 269 | 0 | 3 | 18 | 18 | 261 | 289 |
| Net periodic expenses recognized in net profit for remaining plans[2] | | | | | | | 19 | 17 |
| Total net periodic expenses recognized in net profit | | | | | | | 280 | 306 |

1 Refer to Note 6. 2 Includes differences between actual and estimated performance award accruals.

Other comprehensive income – gains / (losses) on defined benefit plans

| USD million | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|---|---|---|---|---|---|---|---|
| For the year ended | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Remeasurement of defined benefit obligation | (490) | (677) | (71) | (449) | 62 | (105) | (498) | (1,231) |
| *of which: change in discount rate assumption* | *494* | *(447)* | *319* | *(504)* | *77* | *(141)* | *890* | *(1,092)* |
| *of which: change in rate of salary increase assumption* | *(2)* | *(132)* | *0* | *0* | *0* | *0* | *(2)* | *(132)* |
| *of which: change in rate of pension increase assumption* | *0* | *0* | *(316)* | *(1)* | *(1)* | *1* | *(317)* | *0* |
| *of which: change in rate of interest credit on retirement savings assumption* | *(110)* | *15* | *0* | *0* | *(1)* | *24* | *(110)* | *39* |
| *of which: change in life expectancy* | *0* | *84* | *9* | *22* | *(3)* | *50* | *5* | *156* |
| *of which: change in other actuarial assumptions* | *(24)* | *(33)* | *(23)* | *(8)* | *2* | *(34)* | *(45)* | *(75)* |
| *of which: experience gains / (losses)[1,2]* | *(848)* | *(165)* | *(59)* | *42* | *(12)* | *(5)* | *(919)* | *(127)* |
| Return on plan assets excluding interest income | 1,319 | 962 | 277 | 388 | 40 | 118 | 1,637 | 1,469 |
| Asset ceiling effect excluding interest expense and foreign currency translation | (1,037) | (457) | 0 | 0 | 0 | 0 | (1,037) | (457) |
| Total gains / (losses) recognized in other comprehensive income for major plans | (207) | (172) | 207 | (61) | 103 | 14 | 102 | (219) |
| Total gains / (losses) recognized in other comprehensive income for remaining plans | | | | | | | 31 | (3) |
| Total gains / (losses) recognized in other comprehensive income[3] | | | | | | | 133 | (222) |

1 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 2 Includes the effect from employees being transferred between UBS AG and UBS Business Solutions during the period. 3 Refer to the "Statement of comprehensive income."

The table below provides information about the duration of the DBO and the timing for expected benefit payments.

| | Swiss pension plan | | UK pension plan | | US and German pension plans[1] | |
|---|---|---|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Duration of the defined benefit obligation (in years) | 15.5 | 16.2 | 18.8 | 19.0 | 9.5 | 10.2 |
| Maturity analysis of benefits expected to be paid | | | | | | |
| *USD million* | | | | | | |
| Benefits expected to be paid within 12 months | 719 | 710 | 110 | 114 | 123 | 122 |
| Benefits expected to be paid between 1 and 3 years | 1,440 | 1,442 | 248 | 232 | 237 | 235 |
| Benefits expected to be paid between 3 and 6 years | 2,097 | 2,100 | 418 | 406 | 338 | 346 |
| Benefits expected to be paid between 6 and 11 years | 3,467 | 3,408 | 743 | 744 | 495 | 532 |
| Benefits expected to be paid between 11 and 16 years | 3,156 | 3,184 | 751 | 758 | 392 | 413 |
| Benefits expected to be paid in more than 16 years | 10,733 | 11,186 | 3,028 | 3,206 | 519 | 541 |

1 The duration of the defined benefit obligation represents a weighted average across US and German plans.

## Actuarial assumptions

The actuarial assumptions used for the defined benefit plans are based on the economic conditions prevailing in the jurisdiction in which they are offered. Changes in the defined benefit obligation are most sensitive to changes in the discount rate. The discount rate is based on the yield of high-quality corporate bonds quoted in an active market in the currency of the respective plan. A decrease in the discount curve increases the DBO. UBS AG regularly reviews the actuarial assumptions used in calculating the DBO to determine their continuing relevance.

› **Refer to Note 1a item 5 for a description of the accounting policy for defined benefit plans**

The tables below show the significant actuarial assumptions used in calculating the DBO at the end of the year.

**Significant actuarial assumptions**

| | Swiss pension plan | | UK pension plan | | US and German pension plans[1] | |
|---|---|---|---|---|---|---|
| *In %* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Discount rate | 0.34 | 0.10 | 1.82 | 1.42 | 2.10 | 1.62 |
| Rate of salary increase | 2.01 | 2.00 | 0.00 | 0.00 | 2.35 | 2.25 |
| Rate of pension increase | 0.00 | 0.00 | 3.32 | 2.89 | 1.80 | 1.70 |
| Rate of interest credit on retirement savings | 1.04 | 0.60 | 0.00 | 0.00 | 1.18 | 1.12 |

1 Represents weighted average assumptions across US and German plans.

**Mortality tables and life expectancies for major plans**

| | | Life expectancy at age 65 for a male member currently | | | |
|---|---|---|---|---|---|
| | | aged 65 | | aged 45 | |
| Country | Mortality table | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Switzerland | BVG 2020 G with CMI 2019 projections | 21.7 | 21.7 | 23.3 | 23.2 |
| UK | S3PA with CMI 2020 projections[1] | 23.4 | 23.4 | 24.5 | 24.6 |
| USA | Pri-2012 with MP-2021 projection scale[2] | 21.9 | 21.8 | 23.3 | 23.2 |
| Germany | Dr. K. Heubeck 2018 G | 20.5 | 20.8 | 23.2 | 23.6 |

| | | Life expectancy at age 65 for a female member currently | | | |
|---|---|---|---|---|---|
| | | aged 65 | | aged 45 | |
| Country | Mortality table | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Switzerland | BVG 2020 G with CMI 2019 projections | 23.4 | 23.4 | 25.0 | 24.9 |
| UK | S3PA with CMI 2020 projections[1] | 24.9 | 24.9 | 26.3 | 26.3 |
| USA | Pri-2012 with MP-2021 projection scale[2] | 23.3 | 23.2 | 24.7 | 24.5 |
| Germany | Dr. K. Heubeck 2018 G | 23.9 | 24.3 | 26.1 | 26.5 |

1 In 2020, S3PA with CMI 2019 projections was used. 2 In 2020, Pri-2012 with MP-2020 projection scale was used.

## Note 27 Post-employment benefit plans (continued)

### Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption, showing how the DBO would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. Caution should be used in extrapolating the sensitivities below on the DBO, as the sensitivities may not be linear.

**Sensitivity analysis of significant actuarial assumptions[1]**

| Increase / (decrease) in defined benefit obligation | Swiss pension plan | | UK pension plan | | US and German pension plans | |
|---|---|---|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Discount rate | | | | | | |
| Increase by 50 basis points | (975) | (1,030) | (361) | (370) | (78) | (91) |
| Decrease by 50 basis points | 1,116 | 1,181 | 411 | 423 | 84 | 99 |
| Rate of salary increase | | | | | | |
| Increase by 50 basis points | 69 | 74 | –[2] | –[2] | 0 | 1 |
| Decrease by 50 basis points | (66) | (71) | –[2] | –[2] | 0 | (1) |
| Rate of pension increase | | | | | | |
| Increase by 50 basis points | 749 | 793 | 334 | 358 | 6 | 8 |
| Decrease by 50 basis points | –[3] | –[3] | (306) | (316) | (6) | (7) |
| Rate of interest credit on retirement savings | | | | | | |
| Increase by 50 basis points | 134 | 142 | –[4] | –[4] | 8 | 9 |
| Decrease by 50 basis points | (134)[5] | (113) | –[4] | –[4] | (7) | (8) |
| Life expectancy | | | | | | |
| Increase in longevity by one additional year | 475 | 566 | 184 | 182 | 56 | 60 |

1 The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. 2 As the plan is closed for future service, a change in assumption is not applicable. 3 As the assumed rate of pension increase was 0% as of 31 December 2021 and as of 31 December 2020, a downward change in assumption is not applicable. 4 As the UK plan does not provide interest credits on retirement savings, a change in assumption is not applicable. 5 As of 31 December 2021, 17% of retirement savings were subject to a legal minimum rate of 1.00%.

## Note 27 Post-employment benefit plans (continued)

### Fair value of plan assets

The tables below provide information about the composition and fair value of plan assets of the Swiss, UK, US and German pension plans.

**Composition and fair value of plan assets**

**Swiss pension plan**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 106 | 0 | 106 | 1 | 123 | 0 | 123 | 1 |
| Real estate / property | | | | | | | | |
| Domestic | 0 | 1,994 | 1,994 | 10 | 0 | 2,018 | 2,018 | 11 |
| Foreign | 0 | 328 | 328 | 2 | 0 | 186 | 186 | 1 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 476 | 0 | 476 | 2 | 465 | 0 | 465 | 3 |
| Foreign | 3,510 | 1,498 | 5,009 | 26 | 3,540 | 1,103 | 4,642 | 25 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 2,512 | 0 | 2,512 | 13 | 2,096 | 0 | 2,096 | 11 |
| Foreign, AAA to BBB– | 2,877 | 0 | 2,877 | 15 | 3,462 | 0 | 3,462 | 19 |
| Foreign, below BBB– | 742 | 0 | 742 | 4 | 734 | 0 | 734 | 4 |
| Other | 2,379 | 2,010 | 4,389 | 23 | 1,894 | 2,097 | 3,991 | 22 |
| Other investments | 377 | 385 | 762 | 4 | 373 | 266 | 640 | 3 |
| Total fair value of plan assets | 12,980 | 6,216 | 19,196 | 100 | 12,688 | 5,670 | 18,358 | 100 |

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Total fair value of plan assets | 19,196 | 18,358 |
| *of which:*[2] | | |
| *Bank accounts at UBS AG* | *109* | *130* |
| *UBS AG debt instruments* | *16* | *19* |
| *UBS Group AG shares* | *14* | *13* |
| *Securities lent to UBS AG*[3] | *608* | *796* |
| *Property occupied by UBS AG* | *52* | *54* |
| *Derivative financial instruments, counterparty UBS AG*[3] | *72* | *84* |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. 2 Bank accounts at UBS AG encompass accounts in the name of the Swiss pension fund. The other positions disclosed in the table encompass both direct investments in UBS AG instruments and UBS Group AG shares and indirect investments, i.e., those made through funds that the pension fund invests in. 3 Securities lent to UBS AG and derivative financial instruments are presented gross of any collateral. Securities lent to UBS AG were fully covered by collateral as of 31 December 2021 and 31 December 2020. Net of collateral, derivative financial instruments amounted to USD 24 million as of 31 December 2021 (31 December 2020: negative USD 9 million).

## Note 27 Post-employment benefit plans (continued)

**Composition and fair value of plan assets (continued)**

**UK pension plan**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 147 | 0 | 147 | 3 | 195 | 0 | 195 | 5 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 2,605 | 0 | 2,605 | 61 | 2,150 | 0 | 2,150 | 52 |
| Foreign, AAA to BBB– | 372 | 0 | 372 | 9 | 53 | 0 | 53 | 1 |
| Foreign, below BBB– | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 44 | 4 | 47 | 1 | 34 | 3 | 37 | 1 |
| Foreign | 921 | 0 | 921 | 21 | 1,077 | 0 | 1,077 | 26 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 532 | 147 | 679 | 16 | 919 | 131 | 1,050 | 25 |
| Domestic, below BBB– | 12 | 0 | 12 | 0 | 47 | 0 | 47 | 1 |
| Foreign, AAA to BBB– | 179 | 0 | 179 | 4 | 149 | 0 | 149 | 4 |
| Foreign, below BBB– | 115 | 0 | 115 | 3 | 110 | 0 | 110 | 3 |
| Real estate | | | | | | | | |
| Domestic | 110 | 12 | 122 | 3 | 98 | 16 | 114 | 3 |
| Foreign | 6 | 34 | 40 | 1 | 0 | 37 | 37 | 1 |
| Other | (313) | 0 | (313) | (7) | (86) | 0 | (86) | (2) |
| Insurance contracts | 0 | 8 | 8 | 0 | 0 | 8 | 8 | 0 |
| Derivatives | 57 | (3) | 54 | 1 | (3) | 0 | (3) | 0 |
| Asset-backed securities | 0 | 11 | 11 | 0 | 0 | 6 | 6 | 0 |
| Other investments[2] | (717) | 10 | (707) | (16) | (803) | 9 | (794) | (19) |
| Total fair value of plan assets | 4,074 | 223 | 4,297 | 100 | 3,940 | 209 | 4,149 | 100 |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. 2 Mainly relates to repurchase arrangements on UK treasury bonds.

**Composition and fair value of plan assets (continued)**

**US and German pension plans**

| | 31.12.21 | | | | 31.12.20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| *USD million* | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 11 | 0 | 11 | 1 | 38 | 0 | 38 | 3 |
| Equity | | | | | | | | |
| Domestic | 79 | 0 | 79 | 6 | 0 | 0 | 0 | 0 |
| Foreign | 31 | 0 | 31 | 2 | 0 | 0 | 0 | 0 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 486 | 0 | 486 | 37 | 490 | 0 | 490 | 36 |
| Domestic, below BBB– | 17 | 0 | 17 | 1 | 7 | 0 | 7 | 0 |
| Foreign, AAA to BBB– | 97 | 0 | 97 | 7 | 99 | 0 | 99 | 7 |
| Foreign, below BBB– | 6 | 0 | 6 | 0 | 1 | 0 | 1 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 3 | 0 | 3 | 0 | 210 | 0 | 210 | 15 |
| Foreign | 56 | 0 | 56 | 4 | 169 | 0 | 169 | 12 |
| Bonds[1] | | | | | | | | |
| Domestic, AAA to BBB– | 269 | 0 | 269 | 20 | 195 | 0 | 195 | 14 |
| Domestic, below BBB– | 147 | 0 | 147 | 11 | 34 | 0 | 34 | 2 |
| Foreign, AAA to BBB– | 11 | 0 | 11 | 1 | 19 | 0 | 19 | 1 |
| Foreign, below BBB– | 2 | 0 | 2 | 0 | 3 | 0 | 3 | 0 |
| Real estate | | | | | | | | |
| Domestic | 0 | 9 | 9 | 1 | 0 | 14 | 14 | 1 |
| Other | 99 | 0 | 99 | 7 | 79 | 0 | 79 | 6 |
| Insurance contracts | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 |
| Other investments | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Total fair value of plan assets | 1,319 | 10 | 1,329 | 100 | 1,345 | 15 | 1,360 | 100 |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

## Note 27 Post-employment benefit plans (continued)

### b) Defined contribution plans

UBS AG sponsors a number of defined contribution plans, with the most significant plans in the US and the UK. UBS AG's obligation is limited to its contributions made in accordance with each plan, which may include direct contributions and matching contributions. Employer contributions to defined contribution plans are recognized as an expense.

**Expenses related to defined contribution plans**

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| US plan | 198 | 190 | 173 |
| UK plan | 41 | 36 | 34 |
| Remaining plans | 64 | 65 | 71 |
| Total[1] | 303 | 291 | 278 |

1 Refer to Note 6.

### c) Related-party disclosure

UBS AG is the principal provider of banking services for the pension fund of UBS AG in Switzerland. In this capacity, UBS AG is engaged to execute most of the pension fund's banking activities. These activities can include, but are not limited to, trading, securities lending and borrowing and derivative transactions. The non-Swiss UBS AG pension funds do not have a similar banking relationship with UBS AG.

Also, UBS AG leases certain properties that are owned by the Swiss pension fund. As of 31 December 2021, the minimum commitment toward the Swiss pension fund under the related leases was approximately USD 5 million (31 December 2020: USD 6 million).

› **Refer to the "Composition and fair value of plan assets" table in Note 27a for more information about fair value of investments in UBS AG and UBS Group AG instruments held by the Swiss pension fund**

The following amounts have been received or paid by UBS AG from and to the post-employment benefit plans located in Switzerland, the UK, the US and Germany in respect of these banking activities and arrangements.

**Related-party disclosure**

| | For the year ended | | |
|---|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 |
| Received by UBS AG | | | |
| Fees | 22 | 19 | 19 |
| Paid by UBS AG | | | |
| Rent | 2 | 3 | 2 |
| Dividends, capital repayments and interest | 5 | 10 | 10 |

The transaction volumes in UBS Group AG shares and UBS AG debt instruments and the balances of UBS Group AG shares held were:

**Transaction volumes – UBS Group AG shares and UBS AG debt instruments**

| | For the year ended | |
|---|---|---|
| | 31.12.21 | 31.12.20 |
| Financial instruments bought by pension funds | | |
| UBS Group AG shares (in thousands of shares) | 847 | 1,677 |
| UBS AG debt instruments (par values, USD million) | 22 | 16 |
| Financial instruments sold by pension funds or matured | | |
| UBS Group AG shares (in thousands of shares) | 1,505 | 2,556 |
| UBS AG debt instruments (par values, USD million) | 22 | 4 |

**UBS Group AG shares held by post-employment benefit plans**

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Number of shares (in thousands of shares) | 13,456 | 14,112 |
| Fair value (USD million) | 241 | 199 |

## Note 28 Employee benefits: variable compensation

### a) Plans offered

UBS has several share-based and other deferred compensation plans that align the interests of Group Executive Board (GEB) members and other employees with the interests of investors.

Share-based awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash. Awards are settled by delivering UBS shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees.

The most significant deferred compensation plans are described below.

For the majority of variable compensation awards granted under such plans to employees of UBS AG, the grantor entity is UBS Group AG. Expenses associated with these awards are charged by UBS Group AG to UBS AG. For the purpose of this Note, references to shares refer to UBS Group AG shares.

› **Refer to Note 1a item 5 for a description of the accounting policy related to share-based and other deferred compensation plans**

#### Mandatory deferred compensation plans

##### The Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a mandatory deferred share-based compensation plan for senior leaders of the Group (i.e., GEB members and selected senior management).

The number of notional shares delivered at vesting depends on two equally weighted performance metrics over a three-year performance period: reported return on common equity tier 1 capital and relative total shareholder return, which measures the performance of UBS against an index of Global Systemically Important Banks as determined by the Financial Stability Board. The final number of shares will vest in three equal installments in each of the three years following the performance period for GEB members, and cliff vest in the first year following the performance period for selected senior management.

##### The Equity Ownership Plan

The Equity Ownership Plan (EOP) is a deferred share-based compensation plan for employees who are subject to deferral requirements but do not receive LTIP awards. Vesting under the EOP generally occurs in equal installments two and three years after grant, subject to continued employment and, in certain cases, achievement of defined performance conditions.

Asset Management employees receive some or all of their EOP in the form of cash-settled notional investment funds. The amount delivered depends on the value of the underlying investment funds at the time of vesting.

##### The Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a deferred compensation plan for all employees who are subject to deferral requirements. Such employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled as a cash payment or a perpetual, marketable AT1 capital instrument. DCCP awards generally vest in full after five years, unless the award is written down following the occurrence of a viability event (as defined under the terms of an AT1 instrument) or if the Group's CET1 capital ratio falls below a defined threshold. Additional performance conditions apply to GEB members.

Interest payments on DCCP awards are paid at the discretion of UBS. Where interest payments are not permitted, such as for certain regulated employees, the DCCP award reflects the fair value of the granted non-interest-bearing award.

#### Financial advisor variable compensation

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management predominantly includes production payout and deferred compensation awards. Production payout is primarily based on compensable revenue. Financial advisors may also qualify for deferred compensation awards, which generally vest over a six-year period. These awards are based on strategic performance measures, including production and length of service with UBS. Production payout rates and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisor compensation also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

## Note 28 Employee benefits: variable compensation (continued)

### b) Effect on the income statement

**Effect on the income statement for the financial year and future periods**

The table below provides information about compensation expenses related to total variable compensation, including financial advisor variable compensation, that were recognized in the financial year ended 31 December 2021, as well as expenses that were deferred and will be recognized in the income statement for 2022 and later.

The majority of expenses deferred to 2022 and later that are related to the 2021 performance year pertain to awards granted in February 2022. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2021 will be recognized in future periods over a weighted average period of 2.5 years.

**Variable compensation including financial advisor variable compensation**

| | Expenses recognized in 2021 | | | Expenses deferred to 2022 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2021 performance year | Related to prior performance years | Total | Related to the 2021 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,136 | (8) | 2,128 | 0 | 0 | 0 |
| Deferred compensation awards | 389 | 399 | 788 | 767 | 606 | 1,373 |
| *of which: Equity Ownership Plan* | *175* | *174* | *350* | *374* | *180* | *553* |
| *of which: Deferred Contingent Capital Plan* | *134* | *151* | *285* | *290* | *318* | *608* |
| *of which: Long-Term Incentive Plan* | *51* | *17* | *69* | *48* | *32* | *79* |
| *of which: Asset Management EOP* | *29* | *55* | *84* | *56* | *77* | *133* |
| Variable compensation – performance awards | 2,525 | 391 | 2,916 | 767 | 606 | 1,373 |
| Variable compensation – other[2] | 163 | 33 | 196 | 210 | 178 | 388 |
| Total variable compensation excluding financial advisor variable compensation | 2,688 | 424 | 3,112 | 978 | 784 | 1,762 |
| Financial advisor variable compensation | 4,134 | 248 | 4,382 | 434 | 641 | 1,075 |
| *of which: non-deferred cash* | *3,858* | *(6)* | *3,853* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *106* | *51* | *157* | *123* | *146* | *269* |
| *of which: deferred cash-based awards* | *170* | *202* | *372* | *311* | *495* | *806* |
| Compensation commitments with recruited financial advisors[3] | 41 | 438 | 479 | 662 | 1,682 | 2,344 |
| Total FA variable compensation | 4,175 | 685 | 4,860 | 1,097 | 2,323 | 3,419 |
| Total variable compensation including FA variable compensation | 6,863 | 1,109 | 7,973[4] | 2,074 | 3,107 | 5,181 |

1 Estimate as of 31 December 2021. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2021 performance year" columns represent commitments entered into in 2021. 4 Includes USD 631 million in expenses related to share-based compensation (performance awards: USD 419 million; other variable compensation: USD 56 million; financial advisor compensation: USD 157 million). A further USD 77 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 5 million related to role-based allowances; social security: USD 59 million; other personnel expenses: USD 13 million related to the Equity Plus Plan).

## Note 28 Employee benefits: variable compensation (continued)

**Variable compensation including financial advisor variable compensation (continued)**

| | Expenses recognized in 2020 | | | Expenses deferred to 2021 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2020 performance year | Related to prior performance years | Total | Related to the 2020 performance year | Related to prior performance years | Total |
| Non-deferred cash | 1,948 | (29) | 1,920 | 0 | 0 | 0 |
| Deferred compensation awards | 329 | 704 | 1,034 | 734 | 277 | 1,011 |
| *of which: Equity Ownership Plan* | *131* | *315* | *446* | *298* | *67* | *365* |
| *of which: Deferred Contingent Capital Plan* | *108* | *339* | *448* | *271* | *189* | *459* |
| *of which: Long-Term Incentive Plan* | *41* | *11* | *52* | *46* | *9* | *55* |
| *of which: Asset Management EOP* | *49* | *39* | *88* | *120* | *12* | *132* |
| Variable compensation – performance awards | 2,278 | 675 | 2,953 | 734 | 277 | 1,011 |
| Variable compensation – other[2] | 109 | 92 | 201 | 176 | 189 | 364 |
| Total variable compensation excluding financial advisor variable compensation | 2,387 | 768 | 3,155 | 909 | 465 | 1,375 |
| Financial advisor variable compensation | 3,356 | 233 | 3,589 | 350 | 602 | 952 |
| *of which: non-deferred cash* | *3,154* | *0* | *3,154* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *69* | *50* | *119* | *79* | *135* | *214* |
| *of which: deferred cash-based awards* | *133* | *183* | *316* | *271* | *467* | *738* |
| Compensation commitments with recruited financial advisors[3] | 22 | 480 | 502 | 473 | 1,682 | 2,155 |
| Total FA variable compensation | 3,378 | 713 | 4,091 | 822 | 2,284 | 3,106 |
| Total variable compensation including FA variable compensation | 5,765 | 1,481 | 7,246[4] | 1,732 | 2,749 | 4,481 |

1 Estimate as of 31 December 2020. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2020 performance year" columns represent commitments entered into in 2020. 4 Includes USD 666 million in expenses related to share-based compensation (performance awards: USD 498 million; other variable compensation: USD 49 million; financial advisor compensation: USD 119 million). A further USD 88 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4 million related to role-based allowances; social security: USD 51 million; other personnel expenses: USD 34 million related to the Equity Plus Plan).

**Variable compensation including financial advisor variable compensation (continued)**

| | Expenses recognized in 2019 | | | Expenses deferred to 2020 and later[1] | | |
|---|---|---|---|---|---|---|
| *USD million* | Related to the 2019 performance year | Related to prior performance years | Total | Related to the 2019 performance year | Related to prior performance years | Total |
| Non-deferred cash | 1,706 | (24) | 1,682 | 0 | 0 | 0 |
| Deferred compensation awards | 287 | 576 | 863 | 413 | 592 | 1,005 |
| *of which: Equity Ownership Plan* | *115* | *294* | *410* | *198* | *213* | *412* |
| *of which: Deferred Contingent Capital Plan* | *109* | *256* | *365* | *166* | *356* | *521* |
| *of which: Long-Term Incentive Plan* | *38* | *0* | *38* | *23* | *0* | *23* |
| *of which: Asset Management EOP* | *25* | *26* | *51* | *26* | *23* | *49* |
| Variable compensation – performance awards | 1,993 | 553 | 2,545 | 413 | 592 | 1,005 |
| Variable compensation – other[2] | 140 | 85 | 225 | 115 | 228 | 343 |
| Total variable compensation excluding financial advisor variable compensation | 2,133 | 638 | 2,770 | 528 | 820 | 1,348 |
| Financial advisor variable compensation | 3,233 | 268 | 3,501 | 197 | 710 | 907 |
| *of which: non-deferred cash* | *3,064* | *0* | *3,064* | *0* | *0* | *0* |
| *of which: deferred share-based awards* | *57* | *48* | *106* | *54* | *130* | *183* |
| *of which: deferred cash-based awards* | *112* | *219* | *331* | *144* | *580* | *724* |
| Compensation commitments with recruited financial advisors[3] | 32 | 510 | 542 | 350 | 1,617 | 1,967 |
| Total FA variable compensation | 3,265 | 778 | 4,043 | 548 | 2,327 | 2,874 |
| Total variable compensation including FA variable compensation | 5,398 | 1,416 | 6,814[4] | 1,076 | 3,146 | 4,222 |

1 Estimate as of 31 December 2019. Actual amounts expensed may vary, e.g., due to forfeiture of awards. 2 Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. 3 Reflects expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Amounts reflected as deferred expenses represent the maximum deferred exposure as of the balance sheet date. Amounts in the "Related to the 2019 performance year" columns represent commitments entered into in 2019. 4 Includes USD 595 million in expenses related to share-based compensation (performance awards: USD 448 million; other variable compensation: USD 42 million; financial advisor compensation: USD 106 million). A further USD 54 million in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 10 million related to role-based allowances; social security: USD 23 million; other personnel expenses: USD 22 million related to the Equity Plus Plan).

## Note 28 Employee benefits: variable compensation (continued)

### c) Outstanding share-based compensation awards

#### Share and performance share awards

Movements in outstanding share-based awards under the EOP during 2021 and 2020 are provided in the table below. The awards presented are granted by UBS AG, but are based on UBS Group AG shares.

**Movements in outstanding share-based compensation awards**

| | Number of shares 2021 | Weighted average grant date fair value (USD) | Number of shares 2020 | Weighted average grant date fair value (USD) |
|---|---|---|---|---|
| Outstanding, at the beginning of the year | 54,557 | 13 | 90,443 | 14 |
| Awarded during the year | 278,756 | 15 | 19,229 | 11 |
| Distributed during the year | (24,176) | 13 | (55,114) | 14 |
| Forfeited during the year | (13,215) | 15 | 0 | 0 |
| Outstanding, at the end of the year | 295,921 | 15 | 54,557 | 13 |
| *of which: shares vested for accounting purposes* | *116,775* | | *53,216* | |

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2021 and 31 December 2020 was USD 3 million and USD 1 million, respectively.

### d) Valuation

#### UBS share awards

UBS measures compensation expense based on the average market price of UBS shares on the grant date as quoted on the SIX Swiss Exchange, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable. The fair value of the share awards subject to post-vesting sale and hedge restrictions is discounted on the basis of the duration of the post-vesting restriction and is referenced to the cost of purchasing an at-the-money European put option for the term of the transfer restriction. The grant date fair value of notional shares without dividend entitlements also includes a deduction for the present value of future expected dividends to be paid between the grant date and distribution.

## Note 29 Interests in subsidiaries and other entities

### a) Interests in subsidiaries

UBS AG defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to UBS AG's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to UBS AG's total assets and profit or loss before tax, in accordance with the requirements set by IFRS 12, Swiss regulations and the rules of the US Securities and Exchange Commission (the SEC).

#### Individually significant subsidiaries

The table below lists UBS AG's individually significant subsidiaries as of 31 December 2021. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by UBS AG, and the proportion of ownership interest held is equal to the voting rights held by UBS AG.

The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global branch network and a significant proportion of its business activity is conducted outside Switzerland, including in the UK, the US, Singapore, Hong Kong SAR and other countries. UBS Europe SE has branches and offices in a number of EU Member States, including Germany, Italy, Luxembourg and Spain. Share capital is provided in the currency of the legally registered office.

**Individually significant subsidiaries of UBS AG as of 31 December 2021[1]**

| Company | Registered office | Primary business | Share capital in million | | Equity interest accumulated in % |
|---|---|---|---|---|---|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Group Functions | USD | 4,150.0[2] | 100.0 |
| UBS Americas Inc. | Wilmington, Delaware, USA | Group Functions | USD | 0.0 | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF | 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR | 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD | 1,283.1[3] | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF | 10.0 | 100.0 |

1 Includes direct and indirect subsidiaries of UBS AG. 2 Consists of common share capital of USD 1,000 and non-voting preferred share capital of USD 4,150,000,000. 3 Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

**Note 29 Interests in subsidiaries and other entities (continued)**

## Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG that are not individually significant but contribute to UBS AG's total assets and aggregated profit before tax thresholds and are thus disclosed in accordance with requirements set by the SEC.

**Other subsidiaries of UBS AG as of 31 December 2021**

| Company | Registered office | Primary business | Share capital in million | | Equity interest accumulated in % |
|---|---|---|---|---|---|
| UBS Asset Management (Americas) Inc. | Wilmington, Delaware, USA | Asset Management | USD | 0.0 | 100.0 |
| UBS Asset Management (Hong Kong) Limited | Hong Kong SAR, China | Asset Management | HKD | 254.0 | 100.0 |
| UBS Asset Management Life Ltd | London, United Kingdom | Asset Management | GBP | 15.0 | 100.0 |
| UBS Asset Management Switzerland AG | Zurich, Switzerland | Asset Management | CHF | 0.5 | 100.0 |
| UBS Business Solutions US LLC | Wilmington, Delaware, USA | Group Functions | USD | 0.0 | 100.0 |
| UBS Credit Corp. | Wilmington, Delaware, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS (France) S.A. | Paris, France | Global Wealth Management | EUR | 133.0 | 100.0 |
| UBS Fund Management (Luxembourg) S.A. | Luxembourg, Luxembourg | Asset Management | EUR | 13.0 | 100.0 |
| UBS Fund Management (Switzerland) AG | Basel, Switzerland | Asset Management | CHF | 1.0 | 100.0 |
| UBS (Monaco) S.A. | Monte Carlo, Monaco | Global Wealth Management | EUR | 49.2 | 100.0 |
| UBS O'Connor LLC | Wilmington, Delaware, USA | Asset Management | USD | 1.0 | 100.0 |
| UBS Realty Investors LLC | Boston, Massachusetts, USA | Asset Management | USD | 9.0 | 100.0 |
| UBS Securities Australia Ltd | Sydney, Australia | Investment Bank | AUD | 0.3[1] | 100.0 |
| UBS Securities Hong Kong Limited | Hong Kong SAR, China | Investment Bank | HKD | 4,154.2 | 100.0 |
| UBS Securities Japan Co., Ltd. | Tokyo, Japan | Investment Bank | JPY | 34,708.7 | 100.0 |
| UBS SuMi TRUST Wealth Management Co., Ltd. | Tokyo, Japan | Global Wealth Management | JPY | 5,165.0 | 51.0 |

1 Includes a nominal amount relating to redeemable preference shares.

## Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS AG has no individually significant subsidiaries that are SEs.

In 2021 and 2020, UBS AG did not enter into any contractual obligation that could require UBS AG to provide financial support to consolidated SEs. In addition, UBS AG did not provide support, financial or otherwise, to a consolidated SE when UBS AG was not contractually obligated to do so, nor does UBS AG have any intention to do so in the future. Furthermore, UBS AG did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in UBS AG controlling the SE during the reporting period.

## Note 29 Interests in subsidiaries and other entities (continued)

### b) Interests in associates and joint ventures

As of 31 December 2021 and 2020, no associate or joint venture was individually material to UBS AG. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS AG or its subsidiaries as cash dividends or to repay loans or advances made. There were no quoted market prices for any associates or joint ventures of UBS AG.

**Investments in associates and joint ventures**

| *USD million* | 2021 | 2020 |
|---|---|---|
| Carrying amount at the beginning of the year | 1,557 | 1,051 |
| Additions | 1 | 388 |
| Reclassifications[1] | (386) | 0 |
| Share of comprehensive income | 150 | 83 |
| *of which: share of net profit[2]* | *105* | *84* |
| *of which: share of other comprehensive income[3]* | *45* | *(1)* |
| Share of changes in retained earnings | 1 | (40) |
| Dividends received | (39) | (33) |
| Foreign currency translation | (39) | 108 |
| Carrying amount at the end of the year | 1,243 | 1,557 |
| *of which: associates* | *1,200* | *1,513* |
| *of which: SIX Group AG, Zurich[4]* | *1,043* | *965* |
| *of which: Clearstream Fund Centre AG, Zurich[1]* | | *399* |
| *of which: other associates* | *157* | *150* |
| *of which: joint ventures* | *43* | *44* |

1 In the second quarter of 2021, UBS reclassified its minority investment (48.8%) in Clearstream Fund Centre AG (previously Fondcenter AG) of USD 386 million to Properties and other non-current assets held for sale and sold the investment in the same quarter. Refer to Note 30 for more information. 2 For 2021, consists of USD 79 million from associates and USD 26 million from joint ventures. For 2020, consists of USD 64 million from associates and USD 19 million from joint ventures. 3 For 2021, consists of USD 44 million from associates and USD 1 million from joint ventures. For 2020, consists of negative USD 1 million from associates. 4 In 2021, UBS AG's equity interest amounted to 17.31%. UBS AG is represented on the Board of Directors.

## Note 29 Interests in subsidiaries and other entities (continued)

### c) Unconsolidated structured entities

UBS AG is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties for a transaction facilitated by the entity. During 2021, UBS AG sponsored the creation of various SEs and interacted with a number of non-sponsored SEs, including securitization vehicles, client vehicles and certain investment funds, that UBS AG did not consolidate as of 31 December 2021 because it did not control them.

#### Interests in unconsolidated structured entities

The table below presents UBS AG's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS had an interest as of year-end, except for investment funds sponsored by third parties, for which the carrying amount of UBS AG's interest as of year-end has been disclosed.

#### Sponsored unconsolidated structured entities in which UBS did not have an interest at year-end

During 2021 and 2020, UBS AG did not earn material income from sponsored unconsolidated SEs in which UBS AG did not have an interest at year-end.

During 2021 and 2020, UBS AG and third parties did not transfer any assets into sponsored securitization vehicles created in the year. UBS AG and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 1 billion and USD 2 billion, respectively, into sponsored client vehicles created in 2021 (2020: USD 0 billion and USD 9 billion, respectively). For sponsored investment funds, transfers arose during the period as investors invested and redeemed positions, thereby changing the overall size of the funds, which, when combined with market movements, resulted in a total closing net asset value of USD 46 billion (31 December 2020: USD 37 billion).

**Interests in unconsolidated structured entities**

| | 31.12.21 | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss[1] |
| Financial assets at fair value held for trading | 246 | 162 | 6,743 | 7,151 | 7,151 |
| Derivative financial instruments | 5 | 45 | 155 | 205 | 205 |
| Loans and advances to customers | | | 125 | 125 | 125 |
| Financial assets at fair value not held for trading | 35 | | 100 | 135 | 135 |
| Financial assets measured at fair value through other comprehensive income | 324 | 4,525 | | 4,849 | 4,849 |
| Other financial assets measured at amortized cost | | 0[2] | 0 | 1 | 250 |
| Total assets | 610[3] | 4,732 | 7,124 | 12,466 | |
| Derivative financial instruments | 2 | 11 | 281 | 294 | |
| Total liabilities | 2 | 11 | 281 | 294 | |
| Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD billion) | 30[4] | 81[5] | 103[6] | | |

| | 31.12.20 | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss[1] |
| Financial assets at fair value held for trading | 375 | 131 | 7,595 | 8,101 | 8,101 |
| Derivative financial instruments | 6 | 49 | 158 | 213 | 211 |
| Loans and advances to customers | | | 179 | 179 | 179 |
| Financial assets at fair value not held for trading | 35 | 1[2] | 73 | 109 | 109 |
| Financial assets measured at fair value through other comprehensive income | | 6,624 | | 6,624 | 6,624 |
| Other financial assets measured at amortized cost | | 0[2] | | 0 | 250 |
| Total assets | 416[3] | 6,805 | 8,005 | 15,227 | |
| Derivative financial instruments | 3 | 11 | 376 | 390 | 0 |
| Total liabilities | 3 | 11 | 376 | 390 | |
| Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD billion) | 39[4] | 136[5] | 89[6] | | |

1 For the purpose of this disclosure, maximum exposure to loss amounts do not consider the risk-reducing effects of collateral or other credit enhancements. 2 Represents the carrying amount of loan commitments. The maximum exposure to loss for these instruments is equal to the notional amount. 3 As of 31 December 2021, USD 0.1 billion of the USD 0.6 billion (31 December 2020: USD 0.2 billion of the USD 0.4 billion) was held in Group Functions – Non-core and Legacy Portfolio. 4 Represents the principal amount outstanding. 5 Represents the market value of total assets. 6 Represents the net asset value of the investment funds sponsored by UBS AG and the carrying amount of UBS AG's interests in the investment funds not sponsored by UBS AG. In 2021, UBS AG updated the presentation of this table to remove its interests in unconsolidated structured investment funds and the corresponding total asset information, where UBS AG's interest is driven solely from UBS AG's role as the fund's investment manager and the fees it receives. This information is now separately disclosed in the accompanying text on the following page. Prior-period information has been aligned with this new presentation.

UBS AG retains or purchases interests in unconsolidated SEs in the form of direct investments, financing, guarantees, letters of credit, derivatives, as well as through management contracts. UBS AG's maximum exposure to loss is generally equal to the carrying amount of UBS AG's interest in the SE, with this subject to change over time with market movements. Guarantees, letters of credit and credit derivatives are an exception, with the contract's notional amount, adjusted for losses already incurred, representing the maximum loss that UBS AG is exposed to.

The maximum exposure to loss disclosed in the table on the previous page does not reflect UBS AG's risk management activities, including effects from financial instruments that may be used to economically hedge risks inherent in the unconsolidated SE or risk-reducing effects of collateral or other credit enhancements.

In 2021 and 2020, UBS AG did not provide support, financial or otherwise, to an unconsolidated SE when not contractually obligated to do so, nor does UBS AG have any intention to do so in the future.

In 2021 and 2020, income and expenses from interests in unconsolidated SEs primarily resulted from mark-to-market movements recognized in *Other net income from financial instruments measured at fair value through profit of loss*, which have generally been hedged with other financial instruments, as well as fee and commission income received from UBS-sponsored funds.

### Interests in securitization vehicles

As of 31 December 2021 and 31 December 2020, UBS AG held interests, both retained and acquired, in various securitization vehicles that relate to financing, underwriting, secondary market and derivative trading activities.

The numbers outlined in the table on the previous page may differ from the securitization positions presented in the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for the following reasons: (i) exclusion of synthetic securitizations transacted with entities that are not SEs and transactions in which UBS AG did not have an interest because it did not absorb any risk; (ii) a different measurement basis in certain cases (e.g., IFRS carrying amount within the previous table compared with net exposure amount at default for Pillar 3 disclosures); and (iii) different classification of vehicles viewed as sponsored by UBS AG versus sponsored by third parties.

› **Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information**

### Interests in client vehicles

Client vehicles are established predominantly for clients to gain exposure to specific assets or risk exposures. Such vehicles may enter into derivative agreements, with UBS or a third party, to align the cash flows of the entity with the investor's intended investment objective, or to introduce other desired risk exposures.

As of 31 December 2021 and 31 December 2020, UBS AG retained interests in client vehicles sponsored by UBS and third parties that relate to financing, secondary market and derivative trading activities, and to hedge structured product offerings.

### Interests in investment funds

Investment funds have a collective investment objective, and are either passively managed, so that any decision making does not have a substantive effect on variability, or are actively managed and investors or their governing bodies do not have substantive voting or similar rights.

UBS AG holds interests in a number of investment funds, primarily resulting from seed investments or in order to hedge structured product offerings. In addition to the interests disclosed in the table on the previous page, UBS AG manages the assets of various pooled investment funds and receives fees based, in whole or part, on the net asset value of the fund and / or the performance of the fund. The specific fee structure is determined based on various market factors and considers the fund's nature and the jurisdiction of incorporation, as well as fee schedules negotiated with clients. These fee contracts represent an interest in the fund, as they align UBS AG's exposure with investors, providing a variable return based on the performance of the entity. Depending on the structure of the fund, these fees may be collected directly from the fund's assets and / or from the investors. Any amounts due are collected on a regular basis and are generally backed by the fund's assets. Therefore interest in such funds is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such funds were USD 425 billion and USD 395 billion as of 31 December 2021 and 31 December 2020, respectively, and have been excluded from the table on the previous page. UBS AG did not have any material exposure to loss from these interests as of 31 December 2021 or as of 31 December 2020.

## Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses

### Strategic partnership with Sumitomo Mitsui Trust Holdings

In 2019, UBS AG 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 joint venture that was established to promote the respective services. At the time, UBS AG and SuMi Trust Holdings also started offering each other's products and services to their respective clients.

In the third quarter of 2021, the second phase of the partnership was completed, with the launch of a new operational partnership entity, UBS SuMi TRUST Wealth Management Co., Ltd., which is 51%-owned and controlled by UBS AG, requiring UBS AG to consolidate this entity. The new entity offers global securities and wealth management capabilities, together with the custody, real estate, inheritance and wealth transfer expertise of a Japanese trust banking group. Upon completion of this transaction in the third quarter of 2021, shareholders' equity of UBS AG increased by USD 155 million, with no effect on profit or loss.

### Disposals of subsidiaries and businesses

#### Sale of remaining investment in Clearstream Fund Centre AG

In the second quarter of 2021, UBS AG sold its remaining minority investment in Clearstream Fund Centre AG to Deutsche Börse AG for CHF 390 million. The transaction followed the sale of a majority investment and successful transfer of control of Fondcenter AG to Deutsche Börse AG in 2020, when UBS AG recognized a post-tax gain on sale of USD 631 million in *Other income*. The sale of the remaining 48.8% investment resulted in a post-tax gain of USD 37 million in 2021, which was recognized in *Other income*, with no associated net tax expense. Long-term commercial cooperation arrangements remain in place for the provision of services by Clearstream to UBS, including jointly servicing banks and insurance companies.

#### Sale of wealth management business in Austria

In the third quarter of 2021, UBS AG completed the sale of its domestic wealth management business in Austria to LGT. The sale resulted in a pre-tax gain of USD 100 million, which was recognized in *Other income*, and an associated tax expense of USD 25 million.

#### Sale of wealth management business in Spain in 2022

In October 2021, UBS AG signed an agreement to sell its domestic wealth management business in Spain to Singular Bank. The agreement includes the transition of employees, client relationships, products and services of the wealth management business of UBS AG in Spain. The transaction is subject to customary closing conditions and is expected to close in the third quarter of 2022.

As of 31 December 2021, the assets and liabilities of the business were presented in Global Wealth Management as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* and amounted to USD 647 million and USD 823 million, respectively. Upon the closing of the transaction, UBS AG expects to record a pre-tax gain of approximately USD 0.2 billion.

#### Sale of UBS Swiss Financial Advisers AG in 2022

In December 2021, UBS AG signed an agreement to sell its wholly owned subsidiary UBS Swiss Financial Advisers AG (SFA) to Vontobel. SFA is an SEC-registered investment advisor and FINMA-licensed securities firm that offers US clients tailored investment solutions in a Switzerland-based environment. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the third quarter of 2022.

As of 31 December 2021, the assets and liabilities that are subject to the transaction were presented in Global Wealth Management as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* and amounted to USD 446 million and USD 475 million, respectively. Upon the closing of the transaction, UBS AG does not expect a material effect on profit or loss or shareholders' equity.

### Acquisitions of subsidiaries and businesses in 2022

#### Acquisition of Wealthfront in 2022

In January 2022, UBS AG entered into an agreement to acquire Wealthfront, an industry-leading digital wealth management provider, for a cash consideration of USD 1.4 billion. The acquisition is aligned with UBS's growth strategy in the Americas, will broaden our reach among affluent investors and will add a new digital-first offering increasing our distribution capabilities. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the second half of 2022. Upon the closing of the transaction, Wealthfront will become a wholly owned subsidiary of UBS AG and UBS AG expects to recognize additional goodwill and other intangible assets of approximately USD 1.2 billion.

## Note 31 Related parties

UBS AG defines related parties as associates (entities that are significantly influenced by UBS), joint ventures (entities in which UBS shares control with another party), post-employment benefit plans for UBS AG employees, key management personnel, close family members of key management personnel and entities that are, directly or indirectly, controlled or jointly controlled by key management personnel or their close family members. Key management personnel is defined as members of the Board of Directors (BoD) and Executive Board (EB).

### a) Remuneration of key management personnel

The Chairman of the BoD has a specific management employment contract and receives pension benefits upon retirement. Total remuneration of the Chairman of the BoD and all EB members is included in the table below.

**Remuneration of key management personnel**

| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 |
|---|---|---|---|
| Base salaries and other cash payments[1] | 30 | 31 | 30 |
| Incentive awards – cash[2] | 17 | 17 | 13 |
| Annual incentive award under DCCP | 26 | 26 | 20 |
| Employer's contributions to retirement benefit plans | 2 | 2 | 2 |
| Benefits in kind, fringe benefits (at market value) | 1 | 1 | 1 |
| Share-based compensation[3] | 45 | 45 | 34 |
| Total | 122 | 122 | 101 |
| Total (CHF million)[4] | 112 | 115 | 101 |

1 May include role-based allowances in line with market practice and regulatory requirements. 2 The cash portion may also include blocked shares in line with regulatory requirements. 3 Compensation expense is based on the share price on grant date taking into account performance conditions. Refer to Note 27 for more information. For EB members, share-based compensation for 2021, 2020 and 2019 was entirely composed of LTIP awards. For the Chairman of the BoD, the share-based compensation for 2021, 2020 and 2019 was entirely composed of UBS shares. 4 Swiss franc amounts disclosed represent the respective US dollar amounts translated at the applicable performance award currency exchange rates (2021: USD / CHF 0.92; 2020: USD / CHF 0.94; 2019: USD / CHF 0.99).

The independent members of the BoD do not have employment or service contracts with UBS AG, and thus are not entitled to benefits upon termination of their service on the BoD. Payments to these individuals for their services as external board members amounted to USD 7.5 million (CHF 6.9 million) in 2021, USD 7.0 million (CHF 6.6 million) in 2020 and USD 7.3 million (CHF 7.3 million) in 2019.

### b) Equity holdings of key management personnel

**Equity holdings of key management personnel[1]**

| | 31.12.21 | 31.12.20 |
|---|---|---|
| Number of shares held by members of the BoD, EB and parties closely linked to them[2] | 4,175,515 | 4,956,640 |

1 No options were held in 2021 and 2020 by non-independent members of the BoD and any GEB member or any of its related parties. 2 Excludes shares granted under variable compensation plans with forfeiture provisions.

Of the share totals above, no shares were held by close family members of key management personnel on 31 December 2021 and 31 December 2020. No shares were held by entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members on 31 December 2021 and 31 December 2020. As of 31 December 2021, no member of the BoD or EB was the beneficial owner of more than 1% of UBS Group AG's shares.

**Note 31 Related parties (continued)**

## c) Loans, advances and mortgages to key management personnel

The non-independent members of the BoD and EB members are granted loans, fixed advances and mortgages in the ordinary course of business on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent BoD members are granted loans and mortgages in the ordinary course of business at general market conditions.

Movements in the loan, advances and mortgage balances are as follows.

**Loans, advances and mortgages to key management personnel[1]**

| *USD million, except where indicated* | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of the year | 31 | 23 |
| Additions | 11 | 13 |
| Reductions | (15) | (5) |
| Balance at the end of the year[2] | 28 | 31 |
| Balance at the end of the year (CHF million)[2, 3] | 25 | 28 |

1 All loans are secured loans. 2 There were no unused uncommitted credit facilities as of 31 December 2021 and 31 December 2020. 3 Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

## d) Other related-party transactions with entities controlled by key management personnel

In 2021 and 2020, UBS AG did not enter into transactions with entities that are directly or indirectly controlled or jointly controlled by UBS AG's key management personnel or their close family members and as of 31 December 2021, 31 December 2020 and 31 December 2019, there were no outstanding balances related to such transactions. Furthermore, in 2021 and 2020, entities controlled by key management personnel did not sell any goods or provide any services to UBS AG, and therefore did not receive any fees from UBS AG. UBS AG also did not provide services to such entities in 2021 and 2020, and therefore also received no fees.

## Note 31 Related parties (continued)

### e) Transactions with associates and joint ventures

**Loans to and outstanding receivables from associates and joint ventures**

| *USD million* | 2021 | 2020 |
|---|---|---|
| Carrying amount at the beginning of the year | 630 | 982 |
| Additions | 133 | 527 |
| Reductions | (497) | (1,001) |
| Foreign currency translation | (14) | 123 |
| Carrying amount at the end of the year | 251 | 630 |
| *of which: unsecured loans and receivables* | *243* | *621* |

**Other transactions with associates and joint ventures**

| | As of or for the year ended | |
|---|---|---|
| *USD million* | 31.12.21 | 31.12.20 |
| Payments to associates and joint ventures for goods and services received | 157 | 139 |
| Fees received for services provided to associates and joint ventures | 104 | 128 |
| Liabilities to associates and joint ventures | 127 | 91 |
| Commitments and contingent liabilities to associates and joint ventures | 7 | 9 |

› **Refer to Note 29 for an overview of investments in associates and joint ventures**

### f) Receivables and payables from / to UBS Group AG and other subsidiaries of UBS Group AG

| *USD million* | 31.12.21 | 31.12.20 |
|---|---|---|
| Receivables | | |
| Loans and advances to customers | 1,049 | 1,470 |
| Financial assets at fair value held for trading | 187 | 76 |
| Other financial assets measured at amortized cost | 45 | 38 |
| Payables | | |
| Customer deposits | 2,828 | 3,324 |
| Funding from UBS Group AG | 57,295 | 53,979 |
| Other financial liabilities measured at amortized cost | 1,887 | 1,820 |
| Other financial liabilities designated at fair value[1] | 2,340 | 1,375 |

1 Represents funding recognized from UBS Group AG that is designated at fair value. Refer to Note 19b for more information.

## Note 32 Invested assets and net new money

The following disclosures provide a breakdown of UBS AG's invested assets and a presentation of their development, including net new money, as required by the Swiss Financial Market Supervisory Authority.

### Invested assets

Invested assets consist of all client assets managed by or deposited with UBS AG for investment purposes. Invested assets include managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. All assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, are excluded from invested assets, as the Group only administers the assets and does not offer advice on how they should be invested. Also excluded are non-bankable assets (e.g., art collections) and deposits from third-party banks for funding or trading purposes.

Discretionary assets are defined as client assets that UBS AG decides how to invest. Other invested assets are those where the client ultimately decides how the assets are invested. When a single product is created in one business division and sold in another, it is counted in both the business division managing the investment and the one distributing it. This results in double counting within UBS AG total invested assets, as both business divisions are independently providing a service to their respective clients, and both add value and generate revenue.

### Net new money

Net new money in a reporting period is the amount of invested assets entrusted to UBS AG by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS AG.

Net new money is calculated using the direct method, under which inflows and outflows to / from invested assets are determined at the client level, based on transactions. Interest and dividend income from invested assets are not counted as net new money inflows. Market and currency movements, as well as fees, commissions and interest on loans charged, are excluded from net new money, as are effects resulting from any acquisition or divestment of a UBS AG subsidiary or business. Reclassifications between invested assets and custody-only assets as a result of a change in service level delivered are generally treated as net new money flows. However, where the change in service level directly results from an externally imposed regulation or a strategic decision by UBS AG to exit a market or specific service offering, the one-time net effect is reported as *Other effects*.

The Investment Bank does not track invested assets and net new money. However, when a client is transferred from the Investment Bank to another business division, this may produce net new money even though the client assets were already with UBS AG.

**Invested assets and net new money**

| | As of or for the year ended | |
|---|---|---|
| *USD billion* | 31.12.21 | 31.12.20 |
| Fund assets managed by UBS | 419 | 397 |
| Discretionary assets | 1,705 | 1,459 |
| Other invested assets | 2,472 | 2,331 |
| Total invested assets[1] | 4,596 | 4,187 |
| *of which: double counts* | *356* | *311* |
| Net new money[1] | 159 | 127 |

1 Includes double counts.

**Development of invested assets**

| *USD billion* | 2021 | 2020 |
|---|---|---|
| Total invested assets at the beginning of the year[1] | 4,187 | 3,607 |
| Net new money | 159 | 127 |
| Market movements[2] | 339 | 359 |
| Foreign currency translation | (65) | 96 |
| Other effects | (24) | (1) |
| *of which: acquisitions / (divestments)* | *(5)* | *0* |
| Total invested assets at the end of the year[1] | 4,596 | 4,187 |

1 Includes double counts. 2 Includes interest and dividend income.

## Note 33 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

| | Closing exchange rate | | Average rate[1] | | |
|---|---|---|---|---|---|
| | As of | | For the year ended | | |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.19 |
| 1 CHF | 1.10 | 1.13 | 1.09 | 1.07 | 1.01 |
| 1 EUR | 1.14 | 1.22 | 1.18 | 1.15 | 1.12 |
| 1 GBP | 1.35 | 1.37 | 1.37 | 1.29 | 1.28 |
| 100 JPY | 0.87 | 0.97 | 0.91 | 0.94 | 0.92 |

1 Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a year represent an average of 12 month-end rates, weighted according to the income and expense volumes of all operations of UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

## Note 34 Events after the reporting period

### Russia's invasion of Ukraine

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets and the global economy, as well as coordinated implementation of sanctions by Switzerland, the United States, the European Union, the United Kingdom and others against Russia and, certain Russian entities and nationals. These events, together with potential counter-sanctions and other measures taken by Russia, impact UBS AG's businesses.

UBS AG's country risk exposure to Russia was approximately USD 0.6 billion across its business divisions as of 31 December 2021. This exposure has been reduced since year-end 2021. In addition, UBS AG is currently monitoring settlement risk on certain open transactions with Russian bank- or non-bank counterparties or Russian underlyings, as market closures, the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. UBS AG's balance sheet as of 31 December 2021 also included net assets of USD 51 million held in UBS AG's Russian subsidiary, OOO UBS Bank. As of 3 March 2022, UBS AG also had approximately USD 0.2 billion of exposure arising from reliance on Russian assets as collateral on Lombard lending and other secured financing in Global Wealth Management.

As of 3 March 2022, UBS identified a small number of Global Wealth Management clients subject to the recently introduced sanctions with total loans outstanding of under USD 10 million.

UBS AG continues to closely monitor related effects on its financial statements, including estimated direct and indirect impacts on expected credit loss calculations and on fair value measurement of assets, liabilities and off-balance sheet exposures. The situation continues to evolve and broader implications for other counterparties of UBS AG, including financial institutions, are not possible to assess at this time; however, there were no material adverse effects on UBS AG's financial statements as of 4 March 2022.

› **Refer to "Top and emerging risks" and "Country risk" in the "Risk management and control" section and to "Performance in the financial services industry is affected by market conditions and the macroeconomic climate" in the "Risk factors" section of this report for more information**

## Note 35 Main differences between IFRS and Swiss GAAP

The consolidated financial statements of UBS AG are prepared in accordance with International Financial Reporting Standards (IFRS). The Swiss Financial Market Supervisory Authority (FINMA) requires financial groups presenting financial statements under IFRS to provide a narrative explanation of the main differences between IFRS and Swiss generally accepted accounting principles (GAAP) (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance (the BO)). Included in this Note are the significant differences in the recognition and measurement between IFRS and the provisions of the BO and the guidelines of FINMA governing true and fair view financial statement reporting pursuant to Art. 25 to Art. 42 of the BO.

### 1. Consolidation

Under IFRS, all entities that are controlled by the holding entity are consolidated. Under Swiss GAAP, controlled entities deemed immaterial to the Group or held only temporarily are exempt from consolidation, but instead are recorded as participations accounted for under the equity method of accounting or as financial investments measured at the lower of cost or market value.

### 2. Classification and measurement of financial assets

Under IFRS, debt instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the nature of the business model within which the asset is held and the characteristics of the contractual cash flows of the asset. Equity instruments are accounted for at FVTPL by UBS AG. Under Swiss GAAP, trading assets and derivatives are measured at FVTPL in line with IFRS. However, non-trading debt instruments are generally measured at amortized cost, even when the assets are managed on a fair value basis. In addition, the measurement of financial assets in the form of securities depends on the nature of the asset: debt instruments not held to maturity, i.e., instruments available for sale, and equity instruments with no permanent holding intent, are classified as *Financial investments* and measured at the lower of (amortized) cost or market value. Market value adjustments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded in the income statement as *Other income from ordinary activities.* Equity instruments with a permanent holding intent are classified as participations in *Non-consolidated investments in subsidiaries and other participations* and are measured at cost less impairment. Impairment losses are recorded in the income statement as *Impairment of investments in non-consolidated subsidiaries and other participations.* Reversals of impairments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded as *Extraordinary income / Extraordinary expenses*.

### 3. Fair value option applied to financial liabilities

Under IFRS, UBS AG applies the fair value option to certain financial liabilities not held for trading. Instruments for which the fair value option is applied are accounted for at FVTPL. The amount of change in the fair value attributable to changes in UBS AG's own credit is presented in *Other comprehensive income* directly within *Retained earnings*. The fair value option is applied primarily to issued structured debt instruments, certain non-structured debt instruments, certain payables under repurchase agreements and cash collateral on securities lending agreements, amounts due under unit-linked investment contracts, and brokerage payables.

Under Swiss GAAP, the fair value option can only be applied to structured debt instruments consisting of a debt host contract and one or more embedded derivatives that do not relate to own equity. Furthermore, unrealized changes in fair value attributable to changes in UBS AG's own credit are not recognized, whereas realized own credit is recognized in *Net trading income*.

### 4. Allowances and provisions for credit losses

Swiss GAAP permit use of IFRS for accounting for allowances and provisions for credit losses based on an expected credit loss (ECL) model. UBS AG has chosen to apply the IFRS 9 ECL approach to the substantial majority of exposures in scope of Swiss GAAP ECL requirements, including all exposures in scope of ECL under both Swiss GAAP and IFRS.

In addition, for a small population of exposures within the scope of Swiss GAAP ECL requirements, which are not subject to ECL under IFRS due to classification and measurements differences, UBS AG applies an alternative approach. Where Pillar 1 internal ratings-based (IRB) models are applied to measure credit risk, ECL for such exposures is determined by the regulatory expected loss (EL), with an add-on for scaling up to the residual maturity of exposures maturing beyond the next 12 months. For detailed information on regulatory EL, refer to the "Risk management and control" section of this report. For exposures where the Pillar 1 standardized approach (SA) is used to measure credit risk, ECL is determined using a portfolio approach that derives a conservative probability of default (PD) and loss given default (LGD) for the entire portfolio.

### 5. Hedge accounting

Under IFRS, when cash flow hedge accounting is applied, the fair value gain or loss on the effective portion of a derivative designated as a cash flow hedge is recognized initially in equity and reclassified to the income statement when certain conditions are met. When fair value hedge accounting is applied, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and is recognized in the income statement along with the change in the fair value of the hedging derivative. Under Swiss GAAP, the effective portion of the fair value change of a derivative instrument designated as a cash flow or as a fair value hedge is deferred on the balance sheet as *Other assets* or *Other liabilities*. The carrying amount of the hedged item designated in fair value hedges is not adjusted for fair value changes attributable to the hedged risk.

## 6. Goodwill and intangible assets

Under IFRS, goodwill acquired in a business combination is not amortized but tested annually for impairment. Intangible assets with an indefinite useful life are also not amortized but tested annually for impairment. Under Swiss GAAP, goodwill and intangible assets with indefinite useful lives are amortized over a period not exceeding five years, unless a longer useful life, which may not exceed 10 years, can be justified. In addition, these assets are tested annually for impairment.

## 7. Post-employment benefit plans

Swiss GAAP permit the use of IFRS or Swiss accounting standards for post-employment benefit plans, with the election made on a plan-by-plan basis.

UBS AG has elected to apply IFRS (IAS 19) for the non-Swiss defined benefit plans in the UBS AG standalone financial statements and Swiss GAAP (FER 16) for the Swiss pension plan in the UBS AG and the UBS Switzerland AG standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS. Key differences between Swiss GAAP and IFRS include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP (i.e., the technical interest rate) is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

For defined benefit plans, IFRS require the full defined benefit obligation net of the plan assets to be recorded on the balance sheet subject to the asset ceiling rules, with changes resulting from remeasurements recognized directly in equity. However, for non-Swiss defined benefit plans for which IFRS accounting is elected, changes due to remeasurements are recognized in the income statement of UBS AG standalone under Swiss GAAP.

Swiss GAAP require employer contributions to the pension fund to be recognized as personnel expenses in the income statement. Swiss GAAP also require an assessment of whether, based on the pension fund's financial statements prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, the employer arises from the pension fund that is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or the employer is required to contribute to the reduction of a pension deficit (on an FER 26 basis).

## 8. Leasing

Under IFRS, a single lease accounting model applies that requires UBS AG to record a right-of-use (RoU) asset and a corresponding lease liability on the balance sheet when UBS AG is a lessee in a lease arrangement. The RoU asset and the lease liability are recognized when UBS AG acquires control of the physical use of the asset. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS AG's unsecured borrowing rate. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset and / or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Under Swiss GAAP, leases that transfer substantially all the risks and rewards, but not necessarily legal title in the underlying assets, are classified as finance leases. All other leases are classified as operating leases. Whereas finance leases are recognized on the balance sheet and measured in line with IFRS, operating leases are not recognized on the balance sheet, with payments recognized as *General and administrative expenses* on a straight-line basis over the lease term, which commences with control of the physical use of the asset. Lease incentives are treated as a reduction of rental expense and recognized on a consistent basis over the lease term.

## 9. Netting of derivative assets and liabilities

Under IFRS, derivative assets, derivative liabilities and related cash collateral not settled to market are reported on a gross basis unless the restrictive IFRS netting requirements are met: (i) existence of master netting agreements and related collateral arrangements that are unconditional and legally enforceable, in both the normal course of business and the event of default, bankruptcy or insolvency of UBS AG and its counterparties; and (ii) UBS AG's intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Under Swiss GAAP, derivative assets, derivative liabilities and related cash collateral not settled to market are generally reported on a net basis, provided the master netting and the related collateral agreements are legally enforceable in the event of default, bankruptcy or insolvency of UBS AG's counterparties.

## 10. Negative interest

Under IFRS, negative interest income arising on a financial asset does not meet the definition of interest income and, therefore, negative interest on financial assets and negative interest on financial liabilities are presented within interest expense and interest income, respectively. Under Swiss GAAP, negative interest on financial assets is presented within interest income and negative interest on financial liabilities is presented within interest expense.

## 11. Extraordinary income and expense

Certain non-recurring and non-operating income and expense items, such as realized gains or losses from the disposal of participations, fixed and intangible assets, and reversals of impairments of participations and fixed assets, are classified as extraordinary items under Swiss GAAP. This distinction is not available under IFRS. ▲

## Note 36 Supplemental guarantor information required under SEC regulations

### Joint liability of UBS Switzerland AG

In 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for contractual obligations of UBS AG existing on the asset transfer date, including the full and unconditional guarantee of certain registered debt securities issued by UBS AG. To reflect this joint liability, UBS Switzerland AG is presented in a separate column as a subsidiary co-guarantor.

The joint liability of UBS Switzerland AG for contractual obligations of UBS AG decreased in 2021 by USD 4.4 billion to USD 5.7 billion as of 31 December 2021, mainly driven by contractual maturities and, to a lesser extent, early extinguishments of UBS AG liabilities.

**Supplemental guarantor consolidated income statement**

| *USD million*<br>For the year ended 31 December 2021 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Operating income | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,130 | 3,652 | 2,456 | (703) | 8,534 |
| Interest expense from financial instruments measured at amortized cost | (2,847) | (520) | (1,024) | 1,025 | (3,366) |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,229 | 254 | 228 | (274) | 1,437 |
| Net interest income | 1,512 | 3,386 | 1,660 | 48 | 6,605 |
| Other net income from financial instruments measured at fair value through profit or loss | 3,751 | 807 | 1,369 | (83) | 5,844 |
| Credit loss (expense) / release | 65 | 98 | 10 | (24) | 148 |
| Fee and commission income | 3,837 | 5,204 | 16,151 | (770) | 24,422 |
| Fee and commission expense | (810) | (481) | (1,450) | 755 | (1,985) |
| Net fee and commission income | 3,027 | 4,723 | 14,702 | (14) | 22,438 |
| Other income | 7,555 | 221 | 1,560 | (8,396) | 941 |
| Total operating income | 15,910 | 9,235 | 19,300 | (8,469) | 35,976 |
| Operating expenses | | | | | |
| Personnel expenses | 3,401 | 2,098 | 10,161 | 1 | 15,661 |
| General and administrative expenses | 4,255 | 3,442 | 4,474 | (2,696) | 9,476 |
| Depreciation, amortization and impairment of non-financial assets | 949 | 285 | 755 | (114) | 1,875 |
| Total operating expenses | 8,605 | 5,825 | 15,390 | (2,809) | 27,012 |
| Operating profit / (loss) before tax | 7,305 | 3,409 | 3,910 | (5,660) | 8,964 |
| Tax expense / (benefit) | 203 | 622 | 1,090 | (11) | 1,903 |
| Net profit / (loss) | 7,102 | 2,788 | 2,820 | (5,649) | 7,061 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 29 | 0 | 29 |
| Net profit / (loss) attributable to shareholders | 7,102 | 2,788 | 2,792 | (5,649) | 7,032 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated statement of comprehensive income

| *USD million*<br>For the year ended 31 December 2021 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 7,102 | 2,788 | 2,792 | (5,649) | 7,032 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | (1) | (419) | (607) | 517 | (510) |
| Financial assets measured at fair value through other comprehensive income, net of tax | 0 | | (157) | 0 | (157) |
| Cash flow hedges, net of tax | (1,129) | (279) | (250) | (17) | (1,675) |
| Cost of hedging, net of tax | (26) | | | | (26) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | (1,155) | (699) | (1,014) | 500 | (2,368) |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | 170 | (135) | 67 | 0 | 102 |
| Own credit on financial liabilities designated at fair value, net of tax | 46 | | | | 46 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 217 | (135) | 67 | 0 | 148 |
| Total other comprehensive income | (939) | (834) | (947) | 500 | (2,220) |
| Total comprehensive income attributable to shareholders | 6,163 | 1,954 | 1,845 | (5,149) | 4,813 |
| Total comprehensive income attributable to non-controlling interests | | | 13 | | 13 |
| Total comprehensive income | 6,163 | 1,954 | 1,858 | (5,149) | 4,826 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated balance sheet

| *USD million*<br>As of 31 December 2021 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and balances at central banks | 53,839 | 91,031 | 47,946 | | 192,817 |
| Loans and advances to banks | 39,681 | 7,066 | 19,858 | (51,245) | 15,360 |
| Receivables from securities financing transactions | 50,566 | 5,438 | 40,585 | (21,577) | 75,012 |
| Cash collateral receivables on derivative instruments | 29,939 | 779 | 10,314 | (10,518) | 30,514 |
| Loans and advances to customers | 101,458 | 230,170 | 93,252 | (26,188) | 398,693 |
| Other financial assets measured at amortized cost | 8,902 | 6,828 | 12,377 | (1,870) | 26,236 |
| Total financial assets measured at amortized cost | 284,385 | 341,312 | 224,332 | (111,397) | 738,632 |
| Financial assets at fair value held for trading | 116,370 | 79 | 16,740 | (2,156) | 131,033 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *47,891* | *0* | *6,073* | *(10,568)* | *43,397* |
| Derivative financial instruments | 113,426 | 4,199 | 35,567 | (35,047) | 118,145 |
| Brokerage receivables | 14,563 | | 7,283 | (7) | 21,839 |
| Financial assets at fair value not held for trading | 37,532 | 5,413 | 33,940 | (17,243) | 59,642 |
| Total financial assets measured at fair value through profit or loss | 281,891 | 9,691 | 93,531 | (54,454) | 330,659 |
| Financial assets measured at fair value through other comprehensive income | 1,007 | | 7,837 | | 8,844 |
| Investments in subsidiaries and associates | 54,204 | 37 | 40 | (53,038) | 1,243 |
| Property, equipment and software | 6,501 | 1,456 | 4,048 | (293) | 11,712 |
| Goodwill and intangible assets | 213 | | 6,138 | 28 | 6,378 |
| Deferred tax assets | 936 | | 7,903 | | 8,839 |
| Other non-financial assets | 5,757 | 2,424 | 1,656 | (1) | 9,836 |
| Total assets | 634,894 | 354,921 | 345,484 | (219,154) | 1,116,145 |
| Liabilities | | | | | |
| Amounts due to banks | 34,691 | 33,453 | 50,405 | (105,448) | 13,101 |
| Payables from securities financing transactions | 16,711 | 526 | 9,910 | (21,615) | 5,533 |
| Cash collateral payables on derivative instruments | 30,260 | 153 | 11,845 | (10,458) | 31,801 |
| Customer deposits | 101,093 | 286,488 | 142,967 | 14,287 | 544,834 |
| Funding from UBS Group AG | 57,295 | | | | 57,295 |
| Debt issued measured at amortized cost | 73,045 | 9,460 | | (73) | 82,432 |
| Other financial liabilities measured at amortized cost | 4,477 | 2,477 | 5,057 | (2,245) | 9,765 |
| Total financial liabilities measured at amortized cost | 317,572 | 332,556 | 220,184 | (125,551) | 744,762 |
| Financial liabilities at fair value held for trading | 25,711 | 372 | 7,652 | (2,046) | 31,688 |
| Derivative financial instruments | 116,588 | 4,053 | 35,731 | (35,063) | 121,309 |
| Brokerage payables designated at fair value | 30,497 | | 13,548 | (1) | 44,045 |
| Debt issued designated at fair value | 70,660 | | 785 | 14 | 71,460 |
| Other financial liabilities designated at fair value | 11,127 | | 24,454 | (3,167) | 32,414 |
| Total financial liabilities measured at fair value through profit or loss | 254,584 | 4,425 | 82,171 | (40,263) | 300,916 |
| Provisions | 2,023 | 297 | 1,153 | (21) | 3,452 |
| Other non-financial liabilities | 1,799 | 1,278 | 5,528 | (33) | 8,572 |
| Total liabilities | 575,978 | 338,556 | 309,036 | (165,868) | 1,057,702 |
| Equity attributable to shareholders | 58,916 | 16,365 | 36,108 | (53,287) | 58,102 |
| Equity attributable to non-controlling interests | | | 340 | | 340 |
| Total equity | 58,916 | 16,365 | 36,448 | (53,287) | 58,442 |
| Total liabilities and equity | 634,894 | 354,921 | 345,484 | (219,154) | 1,116,145 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated statement of cash flows

| *USD million*<br>For the year ended 31 December 2021 | UBS AG[1] | UBS Switzerland AG[1] | Other subsidiaries[1] | UBS AG (consolidated) |
|---|---|---|---|---|
| Net cash flow from / (used in) operating activities | 5,714 | 2,131 | 22,718 | 30,563 |
| Cash flow from / (used in) investing activities | | | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (1) | 0 | (1) |
| Disposal of subsidiaries, associates and intangible assets[2] | 16 | 0 | 577 | 593 |
| Purchase of property, equipment and software | (656) | (276) | (650) | (1,581) |
| Disposal of property, equipment and software | 294 | 0 | 1 | 295 |
| Purchase of financial assets measured at fair value through other comprehensive income | (1,006) | 0 | (4,795) | (5,802) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 189 | 0 | 4,863 | 5,052 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (807) | 772 | (380) | (415) |
| Net cash flow from / (used in) investing activities | (1,970) | 495 | (385) | (1,860) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | (3,073) | (21) | 0 | (3,093) |
| Distributions paid on UBS AG shares | (4,539) | 0 | 0 | (4,539) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost[3] | 97,250 | 1,177 | 193 | 98,619 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost[3] | (78,385) | (1,093) | (320) | (79,799) |
| Net cash flows from other financing activities | (280) | 0 | 20 | (261) |
| Net activity related to group internal capital transactions and dividends | 5,240 | (537) | (4,702) | 0 |
| Net cash flow from / (used in) financing activities | 16,212 | (475) | (4,811) | 10,927 |
| **Total cash flow** | | | | |
| Cash and cash equivalents at the beginning of the year | 39,400 | 93,342 | 40,689 | 173,430 |
| Net cash flow from / (used in) operating, investing and financing activities | 19,957 | 2,151 | 17,523 | 39,630 |
| Effects of exchange rate differences on cash and cash equivalents | (1,462) | (2,693) | (1,151) | (5,306) |
| Cash and cash equivalents at the end of the year[4] | 57,895 | 92,799 | 57,061 | 207,755 |
| *of which: cash and balances at central banks* | *53,729* | *91,031* | *47,946* | *192,706* |
| *of which: loans and advances to banks* | *3,258* | *1,588* | *8,975* | *13,822* |
| *of which: money market paper*[5] | *908* | *179* | *139* | *1,227* |

1 Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. 2 Includes cash proceeds from the sale of the minority stake in Clearstream Fund Centre AG and dividends received from associates. 3 Includes funding from UBS Group AG to UBS AG. 4 Balances with an original maturity of three months or less. USD 3,408 million of cash and cash equivalents were restricted. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated income statement

| *USD million*<br>For the year ended 31 December 2020 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Operating income | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,386 | 3,636 | 2,612 | (818) | 8,816 |
| Interest expense from financial instruments measured at amortized cost | (3,694) | (513) | (1,261) | 1,134 | (4,333) |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,103 | 164 | 311 | (273) | 1,305 |
| Net interest income | 794 | 3,288 | 1,662 | 43 | 5,788 |
| Other net income from financial instruments measured at fair value through profit or loss | 4,857 | 911 | 1,044 | 118 | 6,930 |
| Credit loss (expense) / release | (352) | (286) | (56) | 0 | (695) |
| Fee and commission income | 3,731 | 4,585 | 13,651 | (984) | 20,982 |
| Fee and commission expense | (644) | (829) | (1,263) | 961 | (1,775) |
| Net fee and commission income | 3,087 | 3,756 | 12,388 | (23) | 19,207 |
| Other income | 4,671 | 233 | 2,585 | (5,941) | 1,549 |
| Total operating income | 13,057 | 7,902 | 17,623 | (5,803) | 32,780 |
| Operating expenses | | | | | |
| Personnel expenses | 3,458 | 2,017 | 9,211 | 0 | 14,686 |
| General and administrative expenses | 3,507 | 3,313 | 4,147 | (2,481) | 8,486 |
| Depreciation, amortization and impairment of non-financial assets | 1,013 | 261 | 750 | (115) | 1,909 |
| Total operating expenses | 7,978 | 5,591 | 14,108 | (2,596) | 25,081 |
| Operating profit / (loss) before tax | 5,079 | 2,311 | 3,515 | (3,207) | 7,699 |
| Tax expense / (benefit) | 238 | 444 | 912 | (107) | 1,488 |
| Net profit / (loss) | 4,840 | 1,868 | 2,603 | (3,100) | 6,211 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 15 | 0 | 15 |
| Net profit / (loss) attributable to shareholders | 4,840 | 1,868 | 2,588 | (3,100) | 6,196 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

**Supplemental guarantor consolidated statement of comprehensive income**

| *USD million*<br>For the year ended 31 December 2020 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 4,840 | 1,868 | 2,588 | (3,100) | 6,196 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | 81 | 1,228 | 690 | (969) | 1,030 |
| Financial assets measured at fair value through other comprehensive income, net of tax | 0 | 0 | 137 | 0 | 136 |
| Cash flow hedges, net of tax | 902 | 26 | 101 | (18) | 1,011 |
| Cost of hedging, net of tax | (13) | | | | (13) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | 971 | 1,254 | 928 | (988) | 2,165 |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | (67) | (107) | 40 | 0 | (134) |
| Own credit on financial liabilities designated at fair value, net of tax | (293) | | | | (293) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | (360) | (107) | 40 | 0 | (427) |
| Total other comprehensive income | 611 | 1,147 | 968 | (988) | 1,738 |
| Total comprehensive income attributable to shareholders | 5,451 | 3,015 | 3,556 | (4,088) | 7,934 |
| Total comprehensive income attributable to non-controlling interests | | | 36 | | 36 |
| Total comprehensive income | 5,451 | 3,015 | 3,592 | (4,088) | 7,970 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

**Supplemental guarantor consolidated balance sheet**

| *USD million*<br>As of 31 December 2020 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and balances at central banks | 34,426 | 91,638 | 32,167 | | 158,231 |
| Loans and advances to banks | 40,171 | 6,385 | 19,465 | (50,678) | 15,344 |
| Receivables from securities financing transactions | 56,568 | 4,026 | 43,350 | (29,735) | 74,210 |
| Cash collateral receivables on derivative instruments | 32,771 | 1,543 | 10,093 | (11,671) | 32,737 |
| Loans and advances to customers | 99,952 | 228,279 | 73,513 | (20,767) | 380,977 |
| Other financial assets measured at amortized cost | 8,411 | 8,084 | 13,368 | (2,644) | 27,219 |
| Total financial assets measured at amortized cost | 272,299 | 339,956 | 191,957 | (115,495) | 688,717 |
| Financial assets at fair value held for trading | 110,812 | 55 | 16,260 | (1,634) | 125,492 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *54,468* | *1* | *6,247* | *(13,617)* | *47,098* |
| Derivative financial instruments | 154,313 | 6,342 | 44,005 | (45,041) | 159,618 |
| Brokerage receivables | 16,898 | | 7,763 | (2) | 24,659 |
| Financial assets at fair value not held for trading | 46,198 | 13,068 | 36,444 | (15,672) | 80,038 |
| Total financial assets measured at fair value through profit or loss | 328,221 | 19,464 | 104,473 | (62,350) | 389,808 |
| Financial assets measured at fair value through other comprehensive income | 187 | | 8,072 | | 8,258 |
| Investments in subsidiaries and associates | 53,606 | 38 | 439 | (52,526) | 1,557 |
| Property, equipment and software | 6,999 | 1,335 | 3,975 | (350) | 11,958 |
| Goodwill and intangible assets | 217 | | 6,234 | 28 | 6,480 |
| Deferred tax assets | 840 | 1 | 8,334 | (1) | 9,174 |
| Other non-financial assets | 6,641 | 2,063 | 854 | (183) | 9,374 |
| Total assets | 669,010 | 362,857 | 324,337 | (230,878) | 1,125,327 |
| | | | | | |
| Liabilities | | | | | |
| Amounts due to banks | 41,414 | 34,096 | 43,066 | (107,527) | 11,050 |
| Payables from securities financing transactions | 17,247 | 566 | 18,407 | (29,899) | 6,321 |
| Cash collateral payables on derivative instruments | 35,875 | 561 | 12,495 | (11,618) | 37,313 |
| Customer deposits | 98,441 | 293,371 | 112,372 | 23,745 | 527,929 |
| Funding from UBS Group AG | 53,979 | | | | 53,979 |
| Debt issued measured at amortized cost | 75,658 | 9,687 | 3 | 3 | 85,351 |
| Other financial liabilities measured at amortized cost | 5,285 | 2,567 | 5,745 | (3,175) | 10,421 |
| Total financial liabilities measured at amortized cost | 327,898 | 340,848 | 192,088 | (128,470) | 732,364 |
| Financial liabilities at fair value held for trading | 28,800 | 335 | 5,989 | (1,529) | 33,595 |
| Derivative financial instruments | 156,192 | 5,593 | 44,359 | (45,043) | 161,102 |
| Brokerage payables designated at fair value | 25,045 | | 13,704 | (7) | 38,742 |
| Debt issued designated at fair value | 58,986 | | 935 | (54) | 59,868 |
| Other financial liabilities designated at fair value | 11,255 | | 23,445 | (2,927) | 31,773 |
| Total financial liabilities measured at fair value through profit or loss | 280,279 | 5,927 | 88,433 | (49,559) | 325,080 |
| Provisions | 1,293 | 301 | 1,197 | | 2,791 |
| Other non-financial liabilities | 2,173 | 987 | 3,907 | (49) | 7,018 |
| Total liabilities | 611,643 | 348,063 | 285,625 | (178,078) | 1,067,254 |
| | | | | | |
| Equity attributable to shareholders | 57,367 | 14,794 | 38,393 | (52,800) | 57,754 |
| Equity attributable to non-controlling interests | | | 319 | | 319 |
| Total equity | 57,367 | 14,794 | 38,712 | (52,800) | 58,073 |
| Total liabilities and equity | 669,010 | 362,857 | 324,337 | (230,878) | 1,125,327 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated statement of cash flows

| *USD million*<br>For the year ended 31 December 2020 | UBS AG[1] | UBS Switzerland AG[1] | Other subsidiaries[1] | UBS AG (consolidated) |
|---|---|---|---|---|
| Net cash flow from / (used in) operating activities | (14,883) | 24,661 | 26,804 | 36,581 |
| Cash flow from / (used in) investing activities | | | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (3) | (43) | (46) |
| Disposal of subsidiaries, associates and intangible assets[2] | 14 | 0 | 660 | 674 |
| Purchase of property, equipment and software | (714) | (162) | (697) | (1,573) |
| Disposal of property, equipment and software | 361 | 0 | 3 | 364 |
| Purchase of financial assets measured at fair value through other comprehensive income | (77) | 0 | (6,213) | (6,290) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 79 | 0 | 4,451 | 4,530 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (3,021) | 132 | (1,277) | (4,166) |
| Net cash flow from / (used in) investing activities | (3,357) | (33) | (3,117) | (6,506) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | 23,828 | 17 | 0 | 23,845 |
| Distributions paid on UBS AG shares | (3,848) | 0 | 0 | (3,848) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost[3] | 78,867 | 1,057 | 229 | 80,153 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost[3] | (86,204) | (776) | (118) | (87,099) |
| Net cash flows from other financing activities | (290) | 0 | (263) | (553) |
| Net activity related to group internal capital transactions and dividends | 2,984 | (1,307) | (1,677) | 0 |
| Net cash flow from / (used in) financing activities | 15,336 | (1,009) | (1,829) | 12,498 |

**Total cash flow**

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents at the beginning of the year | 39,598 | 62,551 | 17,655 | 119,804 |
| Net cash flow from / (used in) operating, investing and financing activities | (2,905) | 23,619 | 21,859 | 42,573 |
| Effects of exchange rate differences on cash and cash equivalents | 2,706 | 7,171 | 1,175 | 11,053 |
| Cash and cash equivalents at the end of the year[4] | 39,400 | 93,342 | 40,689 | 173,430 |
| *of which: cash and balances at central banks* | *34,283* | *91,638* | *32,167* | *158,088* |
| *of which: loans and advances to banks* | *4,085* | *1,695* | *8,148* | *13,928* |
| *of which: money market paper[5]* | *1,032* | *9* | *374* | *1,415* |

1 Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. 2 Includes cash proceeds from the sale of the majority stake in Fondcenter AG and dividends received from associates. 3 Includes funding from UBS Group AG to UBS AG. 4 Balances with an original maturity of three months or less. USD 3,828 million of cash and cash equivalents were restricted. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated income statement

| *USD million*<br>For the year ended 31 December 2019 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Operating income | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 4,864 | 4,048 | 3,719 | (1,928) | 10,703 |
| Interest expense from financial instruments measured at amortized cost | (6,547) | (737) | (2,317) | 2,298 | (7,303) |
| Net interest income from financial instruments measured at fair value through profit or loss | 1,177 | (228) | 394 | (327) | 1,015 |
| Net interest income | (506) | 3,083 | 1,796 | 42 | 4,415 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,116 | 924 | 1,114 | (322) | 6,833 |
| Credit loss (expense) / release | (51) | 7 | (33) | 0 | (78) |
| Fee and commission income | 3,285 | 4,342 | 12,527 | (997) | 19,156 |
| Fee and commission expense | (674) | (819) | (1,188) | 986 | (1,696) |
| Net fee and commission income | 2,610[3] | 3,523[3] | 11,338 | (11) | 17,460 |
| Other income | 4,899 | 259 | 1,960 | (6,442) | 677 |
| Total operating income | 12,069 | 7,796 | 16,176 | (6,733) | 29,307 |
| Operating expenses | | | | | |
| Personnel expenses | 3,251 | 1,936 | 8,614 | 0 | 13,801 |
| General and administrative expenses | 3,467 | 3,181 | 4,565 | (2,627) | 8,586 |
| Depreciation, amortization and impairment of non-financial assets | 954 | 221 | 772 | (196) | 1,751 |
| Total operating expenses | 7,672 | 5,338 | 13,951 | (2,823) | 24,138 |
| Operating profit / (loss) before tax | 4,396 | 2,458 | 2,225 | (3,911) | 5,169 |
| Tax expense / (benefit) | 175 | 514 | 530 | (21) | 1,198 |
| Net profit / (loss) | 4,221 | 1,944 | 1,695 | (3,890) | 3,971 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 6 | 0 | 6 |
| Net profit / (loss) attributable to shareholders | 4,221 | 1,944 | 1,689 | (3,889) | 3,965 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries. 3 Includes the effects of the transfer in 2019 of beneficial ownership of a portion of Global Wealth Management international business booked in Switzerland from UBS Switzerland AG to UBS AG. Refer to "Note 25 Changes in organization and other events affecting comparability" in the "UBS AG standalone financial statements" section of the UBS AG Standalone financial statements and regulatory information for the year ended 31 December 2019.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated statement of comprehensive income

| *USD million*<br>For the year ended 31 December 2019 | UBS AG (standalone)[1] | UBS Switzerland AG (standalone)[1] | Other subsidiaries[2] | Elimination entries | UBS AG (consolidated) |
|---|---|---|---|---|---|
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 4,221 | 1,944 | 1,689 | (3,889) | 3,965 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | 5 | 150 | 39 | (102) | 92 |
| Financial assets measured at fair value through other comprehensive income, net of tax | 0 | 0 | 117 | 0 | 117 |
| Cash flow hedges, net of tax | 870 | 140 | 147 | (15) | 1,143 |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | 875 | 290 | 303 | (117) | 1,351 |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | (89) | (6) | (75) | 0 | (170) |
| Own credit on financial liabilities designated at fair value, net of tax | (392) | | | | (392) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | (481) | (6) | (75) | 0 | (562) |
| Total other comprehensive income | 394 | 284 | 228 | (117) | 789 |
| Total comprehensive income attributable to shareholders | 4,616 | 2,228 | 1,917 | (4,007) | 4,754 |
| Total comprehensive income attributable to non-controlling interests | | | 2 | | 2 |
| Total comprehensive income | 4,616 | 2,228 | 1,919 | (4,007) | 4,756 |

1 Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. 2 The "Other subsidiaries" column includes consolidated information for the significant sub-groups UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG, as well as standalone information for other subsidiaries.

## Note 36 Supplemental guarantor information required under SEC regulations (continued)

### Supplemental guarantor consolidated statement of cash flows

| *USD million*<br>For the year ended 31 December 2019 | UBS AG[1] | UBS Switzerland AG[1] | Other subsidiaries[1] | UBS AG (consolidated) |
|---|---|---|---|---|
| Net cash flow from / (used in) operating activities | 17,531 | 8,882 | (7,608) | 18,805 |
| Purchase of subsidiaries, associates and intangible assets | (6) | 0 | (20) | (26) |
| Disposal of subsidiaries, associates and intangible assets[2] | 100 | 0 | 14 | 114 |
| Purchase of property, equipment and software | (628) | (173) | (600) | (1,401) |
| Disposal of property, equipment and software | 10 | 0 | 1 | 11 |
| Purchase of financial assets measured at fair value through other comprehensive income | (10) | 0 | (3,414) | (3,424) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 10 | 0 | 3,904 | 3,913 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (1,045) | 437 | 45 | (562) |
| Net cash flow from / (used in) investing activities | (1,569) | 264 | (70) | (1,374) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | (17,150) | 0 | 0 | (17,149) |
| Distributions paid on UBS AG shares | (3,250) | 0 | 0 | (3,250) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost[3] | 64,285 | 621 | 142 | 65,047 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost[3] | (67,113) | (752) | (1,017) | (68,883) |
| Net cash flows from other financing activities | (262) | 0 | (242) | (504) |
| Net activity related to group internal capital transactions and dividends | 3,569 | (2,055) | (1,514) | 0 |
| Net cash flow from / (used in) financing activities | (19,922) | (2,186) | (2,630) | (24,738) |
| **Total cash flow** | | | | |
| Cash and cash equivalents at the beginning of the year | 42,895 | 54,757 | 28,201 | 125,853 |
| Net cash flow from / (used in) operating, investing and financing activities | (3,960) | 6,961 | (10,308) | (7,307) |
| Effects of exchange rate differences on cash and cash equivalents | 664 | 833 | (239) | 1,258 |
| Cash and cash equivalents at the end of the year[4] | 39,598 | 62,551 | 17,655 | 119,804 |
| *of which: cash and balances at central banks* | *36,275* | *60,926* | *9,756* | *106,957* |
| *of which: loans and advances to banks* | *2,697* | *1,127* | *7,493* | *11,317* |
| *of which: money market paper[5]* | *626* | *498* | *406* | *1,530* |

1 Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. 2 Includes dividends received from associates. 3 Includes funding from UBS Group AG to UBS AG. 4 Balances with an original maturity of three months or less. USD 3,192 million of cash and cash equivalents were restricted. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.

# Significant regulated subsidiary and sub-group information

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# Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

| | UBS AG (standalone) | | UBS Switzerland AG (standalone) | | UBS Europe SE (consolidated) | | UBS Americas Holding LLC (consolidated) | |
|---|---|---|---|---|---|---|---|---|
| *All values in million, except where indicated* | *USD* | | *CHF* | | *EUR* | | *USD* | |
| Financial and regulatory requirements | Swiss GAAP Swiss SRB rules | | Swiss GAAP Swiss SRB rules | | IFRS EU regulatory rules | | US GAAP US Basel III rules | |
| As of or for the year ended | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| **Financial information[1]** | | | | | | | | |
| Income statement | | | | | | | | |
| Total operating income | 16,293 | 12,951 | 8,490 | 7,185 | 1,123 | 1,054 | 14,490 | 12,675 |
| Total operating expenses | 9,712 | 8,370 | 5,472 | 5,590 | 800 | 878 | 11,925 | 10,842 |
| Operating profit / (loss) before tax | 6,581 | 4,581 | 3,018 | 1,595 | 323 | 176 | 2,565 | 1,833 |
| Net profit / (loss) | 6,548 | 4,539 | 2,452 | 1,271 | 227 | 163 | 1,812 | 975 |
| Balance sheet | | | | | | | | |
| Total assets | 509,851 | 509,024 | 320,656 | 316,829 | 46,411 | 48,591 | 209,718 | 172,385 |
| Total liabilities | 455,446 | 456,628 | 305,919 | 304,194 | 42,664 | 43,896 | 182,633 | 144,103 |
| Total equity | 54,405 | 52,396 | 14,736 | 12,634 | 3,747 | 4,696 | 27,085 | 28,283 |
| **Capital[2]** | | | | | | | | |
| Common equity tier 1 capital | 52,818 | 50,269 | 12,609 | 12,234 | 2,764 | 3,703 | 13,002 | 14,384 |
| Additional tier 1 capital | 13,840 | 14,430 | 5,387 | 5,176 | 290 | 290 | 4,049 | 3,047 |
| Total going concern capital / Tier 1 capital | 66,658 | 64,699 | 17,996 | 17,410 | 3,054 | 3,993 | 17,051 | 17,431 |
| Tier 2 capital | 3,129 | 7,719 | | | | | 125 | 736 |
| Total capital | | | | | 3,054 | 3,993 | 17,176 | 18,166 |
| Total gone concern loss-absorbing capacity | 44,250 | 45,520 | 10,853 | 10,824 | 2,414[3] | 1,784[3] | 7,000[4] | 5,600[4] |
| Total loss-absorbing capacity | 110,908 | 110,219 | 28,849 | 28,234 | 5,468 | 5,777 | 24,051 | 23,031 |
| **Risk-weighted assets and leverage ratio denominator[2]** | | | | | | | | |
| Risk-weighted assets | 317,913 | 305,575 | 106,399 | 107,253 | 12,328 | 13,175 | 72,979 | 63,929 |
| Leverage ratio denominator[5] | 593,868 | 595,017 | 339,788 | 335,251 | 46,660 | 41,376 | 188,246 | 154,609 |
| Supplementary leverage ratio denominator[6] | | | | | | | 212,167 | 150,019 |
| **Capital and leverage ratios (%)[2]** | | | | | | | | |
| Common equity tier 1 capital ratio[5] | 16.6 | 16.5 | 11.9 | 11.4 | 22.4 | 28.1 | 17.8 | 22.5 |
| Going concern capital ratio / Tier 1 capital ratio | 21.0 | 21.2 | 16.9 | 16.2 | 24.8 | 30.3 | 23.4 | 27.3 |
| Total capital ratio | | | | | 24.8 | 30.3 | 23.5 | 28.4 |
| Total loss-absorbing capacity ratio | | | 27.1 | 26.3 | 44.4 | 43.8 | 33.0 | 36.0 |
| Tier 1 leverage ratio | | | | | 6.5 | 9.7 | 9.1 | 11.3 |
| Supplementary tier 1 leverage ratio | | | | | | | 8.0 | 11.6 |
| Going concern leverage ratio[5] | 11.2 | 10.9 | 5.3 | 5.2 | | | | |
| Total loss-absorbing capacity leverage ratio | | | 8.5 | 8.4 | 11.7 | 14.0 | 12.8 | 14.9 |
| Gone concern capital coverage ratio | 112.0 | 135.7 | | | | | | |
| **Liquidity coverage ratio[2,7]** | | | | | | | | |
| High-quality liquid assets (billion) | 89 | 84 | 91 | 92 | 17 | 17 | 32 | |
| Net cash outflows (billion) | 52 | 53 | 64 | 62 | 10 | 11 | 22 | |
| Liquidity coverage ratio (%)[8,9] | 173 | 159 | 143 | 148 | 170 | 151 | 147 | |
| **Net stable funding ratio[2,10]** | | | | | | | | |
| Total available stable funding | 257,992 | | 225,239 | | 15,358 | | | |
| Total required stable funding | 289,195 | | 158,072 | | 8,963 | | | |
| Net stable funding ratio (%) | 89[11] | | 142[11] | | 171 | | | |
| **Other** | | | | | | | | |
| Joint and several liability between UBS AG and UBS Switzerland AG (billion)[12] | | | 5 | 9 | | | | |

1 The financial information disclosed does not represent financial statements under the respective GAAP / IFRS. 2 Refer to the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. 3 Consists of positions that meet the conditions laid down in Art. 72a–b of the Capital Requirements Regulation (CRR) II with regard to contractual, structural or legal subordination. 4 Consists of eligible long-term debt that meets the conditions specified in 12 CFR 252.162 of the final TLAC rules. TLAC is the sum of tier 1 capital and eligible long-term debt. 5 Leverage ratio denominators and going concern leverage ratios for UBS AG standalone and UBS Switzerland AG standalone for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Introduction and basis for preparation" section of the 31 December 2021 Pillar 3 Report. 6 US regulatory authorities temporarily eased the requirements for the supplementary leverage ratio (the SLR), allowing for the exclusion of US Treasury securities and deposits at the Federal Reserve Banks from the SLR denominator through March 2021. This exclusion resulted in an increase in the SLR of 170 bps on 31 December 2020. 7 There was no local disclosure requirement for UBS Americas Holding LLC as of 31 December 2020. 8 In the fourth quarter of 2021, the liquidity coverage ratio (the LCR) of UBS AG was 173%, remaining above the prudential requirements communicated by FINMA. 9 In the fourth quarter of 2021, the LCR of UBS Switzerland AG, which is a Swiss SRB, was 143%, remaining above the prudential requirement communicated by FINMA in connection with the Swiss Emergency Plan. 10 For UBS AG standalone and UBS Switzerland AG standalone, the local disclosure requirement for the net stable funding ratio (the NSFR) came into force in July 2021. For UBS Europe SE consolidated, the local disclosure requirement for the NSFR came into force in June 2021. For UBS Americas Holding LLC consolidated, the NSFR requirement became effective as of 1 July 2021 and related disclosures will come into effect in the second quarter of 2023. 11 In accordance with Art. 17h para. 3 and 4 of the Liquidity Ordinance, UBS AG standalone is required to maintain a minimum NSFR of at least 80% without taking into account excess funding of UBS Switzerland AG and 100% after taking into account such excess funding. 12 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The table in this section summarizes the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

› **Refer to "Capital and capital ratios of our significant regulated subsidiaries" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information**

› **Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of this report for more information.**

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis and may limit the ability of an entity to engage in new activities or take capital actions based on the results of those tests.

Effective 1 October 2021, UBS Americas Holding LLC is subject to a stress capital buffer (an SCB) of 7.1%, in addition to minimum capital requirements. The SCB was determined by the Federal Reserve Board following the completion of the Comprehensive Capital Analysis and Review (based on Dodd–Frank Act Stress Test (DFAST) results and planned future dividends). The SCB, which replaces the static capital conservation buffer of 2.5%, is subject to change on an annual basis or as otherwise determined by the Federal Reserve Board.

Standalone regulatory information for UBS AG and UBS Switzerland AG, as well as consolidated regulatory information for UBS Europe SE and UBS Americas Holding LLC, is provided in the 31 December 2021 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*.

Standalone financial statements for UBS Group AG, as well as standalone financial statements and regulatory information for UBS AG and UBS Switzerland AG, are available under "Holding company and significant regulated subsidiaries and sub-groups" at *ubs.com/investors.*

# Additional regulatory information

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# UBS Group AG consolidated supplemental disclosures required under SEC regulations

## A – Introduction

The following pages contain supplemental UBS Group AG disclosures that are required under SEC regulations. In September 2020, the SEC issued final rules updating and codifying the disclosure requirements for banking registrants set forth in Industry Guide 3, Statistical Disclosure by Bank Holding Companies. Under the final rules, Industry Guide 3 was rescinded and replaced with a new Subpart 1400 of Regulation S-K, which has come into effect for UBS Group AG's 2021 reporting. Part D of this section provides the information required by Subpart 1400 of Regulation S-K and where applicable, prior-period comparative information has been revised to align with the new requirements.

UBS Group AG's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are denominated in US dollars (USD), which is also the functional currency of: UBS Group AG; UBS AG's Head Office; UBS AG London Branch; and UBS's US-based operations.

# B – Selected financial data

## Key figures

| | As of or for the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Group results | | | | | |
| Operating income | 35,542 | 32,390 | 28,889 | 30,213 | 29,622 |
| Operating expenses | 26,058 | 24,235 | 23,312 | 24,222 | 24,272 |
| Operating profit / (loss) from continuing operations before tax | 9,484 | 8,155 | 5,577 | 5,991 | 5,351 |
| Net profit / (loss) attributable to shareholders | 7,457 | 6,557 | 4,304 | 4,516 | 969 |
| Diluted earnings per share (USD)[1] | 2.06 | 1.77 | 1.14 | 1.18 | 0.25 |
| Profitability and growth[2] | | | | | |
| Return on equity (%) | 12.6 | 11.3 | 7.9 | 8.6 | 1.8 |
| Return on tangible equity (%) | 14.1 | 12.8 | 9.0 | 9.8 | 2.0 |
| Return on common equity tier 1 capital (%) | 17.5 | 17.4 | 12.4 | 13.1 | 3.0 |
| Return on risk-weighted assets, gross (%) | 12.0 | 11.7 | 11.0 | 11.8 | 12.6 |
| Return on leverage ratio denominator, gross (%)[3] | 3.4 | 3.4 | 3.2 | 3.3 | 3.3 |
| Cost / income ratio (%) | 73.6 | 73.3 | 80.5 | 79.9 | 81.6 |
| Effective tax rate (%) | 21.1 | 19.4 | 22.7 | 24.5 | 80.5 |
| Net profit growth (%) | 13.7 | 52.3 | (4.7) | 366.0 | (71.1) |
| Resources[2] | | | | | |
| Total assets | 1,117,182 | 1,125,765 | 972,194 | 958,500 | 939,279 |
| Equity attributable to shareholders | 60,662 | 59,445 | 54,501 | 52,896 | 52,495 |
| Common equity tier 1 capital[4] | 45,281 | 39,890 | 35,535 | 34,073 | 33,516 |
| Risk-weighted assets[4] | 302,209 | 289,101 | 259,208 | 263,747 | 243,636 |
| Common equity tier 1 capital ratio (%)[4] | 15.0 | 13.8 | 13.7 | 12.9 | 13.8 |
| Going concern capital ratio (%)[4] | 20.0 | 19.4 | 20.0 | 17.5 | 17.6 |
| Total loss-absorbing capacity ratio (%)[4] | 34.7 | 35.2 | 34.6 | 31.7 | 33.0 |
| Leverage ratio denominator[3,4] | 1,068,862 | 1,037,150 | 911,322 | 904,595 | 909,032 |
| Common equity tier 1 leverage ratio (%)[3,4] | 4.24 | 3.85 | 3.90 | 3.77 | 3.69 |
| Going concern leverage ratio (%)[3,4] | 5.7 | 5.4 | 5.7 | 5.1 | 4.7 |
| Total loss-absorbing capacity leverage ratio (%)[4] | 9.8 | 9.8 | 9.8 | 9.3 | 8.8 |
| Net stable funding ratio (%)[5] | 119.0 | 119.0 | 111.0 | 110.0 | 105.0 |

## Key figures (continued)

| | As of or for the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Other | | | | | |
| Invested assets (USD billion)[6] | 4,596 | 4,187 | 3,607 | 3,101 | 3,262 |
| Personnel (full-time equivalents) | 71,385 | 71,551 | 68,601 | 66,888 | 61,253 |
| Americas | 21,317 | 21,394 | 21,036 | 21,309 | 20,770 |
| *of which: USA* | *20,537* | *20,528* | *20,232* | *20,495* | *19,944* |
| Asia Pacific | 15,618 | 15,353 | 13,956 | 12,119 | 8,959 |
| Europe, Middle East and Africa (excluding Switzerland) | 14,091 | 13,899 | 12,918 | 12,620 | 11,097 |
| *of which: UK* | *6,051* | *6,069* | *5,704* | *5,782* | *5,274* |
| *of which: rest of Europe (excluding Switzerland)* | *7,826* | *7,652* | *7,048* | *6,670* | *5,662* |
| *of which: Middle East and Africa* | *215* | *178* | *166* | *168* | *161* |
| Switzerland | 20,359 | 20,904 | 20,691 | 20,840 | 20,427 |
| Market capitalization[7] | 61,230 | 50,013 | 45,661 | 45,907 | 68,477 |
| Total book value per share (USD)[7] | 17.84 | 16.74 | 15.07 | 14.34 | 14.11 |
| Tangible book value per share (USD)[7] | 15.97 | 14.91 | 13.28 | 12.54 | 12.34 |
| Registered ordinary shares (number)[7] | 3,702,422,995 | 3,859,055,395 | 3,859,055,395 | 3,855,634,749 | 3,853,096,603 |
| Treasury shares (number)[7] | 302,815,328 | 307,477,002 | 243,021,296 | 166,467,802 | 132,301,550 |

1 Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. 2 Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance targets. 3 Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 4 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of the report for the respective period for more information. 5 The final Swiss net stable funding ratio (NSFR) regulation became effective on 1 July 2021. Prior to this date, the NSFR was based on estimated pro forma reporting. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 6 Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information. 7 Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information.

## Income statement data

| | For the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Net interest income | 6,705 | 5,862 | 4,501 | 5,048 | 6,070 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,850 | 6,960 | 6,842 | 6,960 | 5,637 |
| Credit loss (expense) / release | 148 | (694) | (78) | (118) | (131) |
| Fee and commission income | 24,372 | 20,961 | 19,110 | 19,598 | 19,362 |
| Fee and commission expense | (1,985) | (1,775) | (1,696) | (1,703) | (1,840) |
| Net fee and commission income | 22,387 | 19,186 | 17,413 | 17,895 | 17,522 |
| Other income | 452 | 1,076 | 212 | 428 | 524 |
| Total operating income | 35,542 | 32,390 | 28,889 | 30,213 | 29,622 |
| Total operating expenses | 26,058 | 24,235 | 23,312 | 24,222 | 24,272 |
| Operating profit / (loss) before tax | 9,484 | 8,155 | 5,577 | 5,991 | 5,351 |
| Tax expense / (benefit) | 1,998 | 1,583 | 1,267 | 1,468 | 4,305 |
| Net profit / (loss) | 7,486 | 6,572 | 4,310 | 4,522 | 1,046 |
| Net profit / (loss) attributable to non-controlling interests | 29 | 15 | 6 | 7 | 77 |
| Net profit / (loss) attributable to shareholders | 7,457 | 6,557 | 4,304 | 4,516 | 969 |
| Cost / income ratio (%) | 73.6 | 73.3 | 80.5 | 79.9 | 81.6 |
| Per share data | | | | | |
| Basic earnings per share (USD)[1] | 2.14 | 1.83 | 1.17 | 1.21 | 0.26 |
| Diluted earnings per share (USD)[1] | 2.06 | 1.77 | 1.14 | 1.18 | 0.25 |
| Ordinary cash dividends declared per share (CHF)[2,3] | | 0.34 | 0.69 | 0.70 | 0.65 |
| Ordinary cash dividends declared per share (USD)[2,3] | 0.50 | 0.37 | 0.73 | 0.69 | 0.65 |
| Rates of return (%) | | | | | |
| Return on equity attributable to shareholders | 12.6 | 11.3 | 7.9 | 8.6 | 1.8 |

1 Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. 2 Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. Beginning in 2020, dividends have been declared in US dollars. The Swiss franc equivalent amount for the 2021 dividend will be determined after the Annual General Meeting using the exchange rate applicable on that date and is therefore not provided in this table. 3 Refer to "Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve" in the "Standalone financial statements" section of this report for more information.

## Cash dividends received from investments in subsidiaries

In 2021, UBS Group AG received cash dividends of USD 4,672 million (2020: USD 3,853 million; 2019: USD 3,400 million) from its subsidiaries. Dividends disclosed have been translated to US dollars from the functional currency of the entity paying the dividend, using the closing exchange rate of the month the dividend was received.

## Balance sheet data

| *USD million* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances at central banks | 192,817 | 158,231 | 107,068 | 108,370 | 90,045 |
| Loans and advances to banks | 15,480 | 15,444 | 12,447 | 16,868 | 14,094 |
| Receivables from securities financing transactions | 75,012 | 74,210 | 84,245 | 95,349 | 91,951 |
| Cash collateral receivables on derivative instruments | 30,514 | 32,737 | 23,289 | 23,602 | 24,040 |
| Loans and advances to customers | 397,761 | 379,528 | 326,786 | 320,352 | 326,746 |
| Other financial assets measured at amortized cost | 26,209 | 27,194 | 22,980 | 22,563 | 37,815 |
| Total financial assets measured at amortized cost | 737,794 | 687,345 | 576,815 | 587,104 | 584,691 |
| Financial assets at fair value held for trading | 130,821 | 125,397 | 127,514 | 104,370 | 129,407 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *43,397* | *47,098* | *41,285* | *32,121* | *36,277* |
| Derivative financial instruments | 118,142 | 159,617 | 121,841 | 126,210 | 121,285 |
| Brokerage receivables | 21,839 | 24,659 | 18,007 | 16,840 | |
| Financial assets at fair value not held for trading | 60,080 | 80,364 | 83,944 | 82,690 | 60,457 |
| Total financial assets measured at fair value through profit or loss | 330,882 | 390,037 | 351,307 | 330,110 | 311,148 |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,258 | 6,345 | 6,667 | 8,889 |
| Investments in associates | 1,243 | 1,557 | 1,051 | 1,099 | 1,045 |
| Property, equipment and software | 12,888 | 13,109 | 12,804 | 9,348 | 9,057 |
| Goodwill and intangible assets | 6,378 | 6,480 | 6,469 | 6,647 | 6,563 |
| Deferred tax assets | 8,876 | 9,212 | 9,548 | 10,116 | 10,056 |
| Other non-financial assets | 10,277 | 9,768 | 7,856 | 7,410 | 7,830 |
| Total assets | 1,117,182 | 1,125,765 | 972,194 | 958,500 | 939,279 |
| | | | | | |
| **Liabilities** | | | | | |
| Amounts due to banks | 13,101 | 11,050 | 6,570 | 10,962 | 7,728 |
| Payables from securities financing transactions | 5,533 | 6,321 | 7,778 | 10,296 | 17,485 |
| Cash collateral payables on derivative instruments | 31,798 | 37,312 | 31,415 | 28,906 | 31,029 |
| Customer deposits | 542,007 | 524,605 | 448,284 | 419,838 | 419,577 |
| Debt issued measured at amortized cost | 139,155 | 139,232 | 110,497 | 132,271 | 143,160 |
| Other financial liabilities measured at amortized cost | 9,001 | 9,729 | 9,712 | 6,885 | 37,276 |
| Total financial liabilities measured at amortized cost | 740,595 | 728,250 | 614,256 | 609,158 | 656,255 |
| Financial liabilities at fair value held for trading | 31,688 | 33,595 | 30,591 | 28,943 | 31,251 |
| Derivative financial instruments | 121,309 | 161,102 | 120,880 | 125,723 | 119,137 |
| Brokerage payables designated at fair value | 44,045 | 38,742 | 37,233 | 38,420 | |
| Debt issued designated at fair value | 73,799 | 61,243 | 66,809 | 57,031 | 50,782 |
| Other financial liabilities designated at fair value | 30,074 | 30,387 | 35,940 | 33,594 | 16,643 |
| Total financial liabilities measured at fair value through profit or loss | 300,916 | 325,069 | 291,452 | 283,711 | 217,813 |
| Provisions | 3,518 | 2,828 | 2,974 | 3,494 | 3,214 |
| Other non-financial liabilities | 11,151 | 9,854 | 8,837 | 9,065 | 9,443 |
| Total liabilities | 1,056,180 | 1,066,000 | 917,519 | 905,429 | 886,725 |
| Equity attributable to shareholders | 60,662 | 59,445 | 54,501 | 52,896 | 52,495 |
| Equity attributable to non-controlling interests | 340 | 319 | 174 | 176 | 59 |
| Total equity | 61,002 | 59,765 | 54,675 | 53,071 | 52,554 |
| Total liabilities and equity | 1,117,182 | 1,125,765 | 972,194 | 958,500 | 939,279 |

# C – Information about the company

## Property, plant and equipment

As of 31 December 2021, UBS operated about 690 business and banking locations worldwide, of which approximately 33% were in Switzerland, 47% in the Americas, 10% in the rest of Europe, Middle East and Africa, and 10% in Asia Pacific. Of the business and banking locations in Switzerland, 30% were owned directly by UBS, with the remainder, along with most of UBS's offices outside Switzerland, being held under commercial leases. These premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for current and anticipated operations.

# D – Information required by Subpart 1400 of Regulation S-K

## Selected statistical information

The following tables set forth select statistical information regarding the Group's banking operations extracted from its financial statements. Unless otherwise indicated, average balances for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 are calculated from monthly data. Unless otherwise indicated, the distinction between domestic (Swiss) and foreign (non-Swiss) is generally based on the booking location.

## Average balances and interest rates

The following table sets forth average interest-earning assets and average interest-bearing liabilities, along with the average yield, for 2021, 2020 and 2019. Refer to "Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information about interest income and interest expense.

| For the year ended | 31.12.21 | | | 31.12.20 | | | 31.12.19 | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Assets | | | | | | | | | |
| Balances at central banks | | | | | | | | | |
| Domestic | 98,804 | (105) | (0.1) | 90,234 | (112) | (0.1) | 70,639 | (208) | (0.3) |
| Foreign | 71,529 | (31) | 0.0 | 51,611 | 7 | 0.0 | 34,017 | 194 | 0.6 |
| Loans and advances to banks | | | | | | | | | |
| Domestic | 3,158 | 40 | 1.3 | 2,930 | 43 | 1.5 | 2,574 | 29 | 1.1 |
| Foreign | 13,074 | 12 | 0.1 | 12,089 | 31 | 0.3 | 12,071 | 15 | 0.1 |
| Receivables from securities financing transactions[1] | | | | | | | | | |
| Domestic | 9,435 | (28) | (0.3) | 4,746 | 8 | 0.2 | 7,550 | (11) | (0.1) |
| Foreign | 79,297 | 234 | 0.3 | 92,098 | 551 | 0.6 | 99,269 | 1,654 | 1.7 |
| Loans and advances to customers | | | | | | | | | |
| Domestic | 228,070 | 3,211 | 1.4 | 210,971 | 3,014 | 1.4 | 189,438 | 3,280 | 1.7 |
| Foreign | 160,902 | 2,700 | 1.7 | 138,515 | 3,139 | 2.3 | 131,046 | 3,930 | 3.0 |
| Financial assets at fair value[1,2] | | | | | | | | | |
| Domestic | 10,006 | 11 | 0.1 | 12,455 | 40 | 0.3 | 9,311 | 72 | 0.8 |
| Foreign | 169,267 | 1,203 | 0.7 | 192,251 | 1,826 | 0.9 | 191,373 | 3,484 | 1.8 |
| *of which: taxable* | *169,254* | *1,203* | *0.7* | *192,243* | *1,826* | *0.9* | *191,373* | *3,484* | *1.8* |
| *of which: non-taxable* | *12* | *0* | *2.4* | *7* | *0* | *4.0* | | | |
| Other interest-earning assets | | | | | | | | | |
| Domestic | 7,477 | 121 | 1.6 | 8,064 | 136 | 1.7 | 7,258 | 151 | 2.1 |
| Foreign | 47,040 | 298 | 0.6 | 45,442 | 386 | 0.8 | 35,471 | 637 | 1.8 |
| Total interest-earning assets | 898,059 | 7,666 | 0.9 | 861,406 | 9,068 | 1.1 | 790,017 | 13,226 | 1.7 |
| Net interest income on swaps | | 1,552 | | | 1,134 | | | 711 | |
| Interest income on off-balance sheet securities and other | | 472 | | | 386 | | | 429 | |
| Interest income and average interest-earning assets | 898,059 | 9,689[3] | 1.1 | 861,406 | 10,588[3] | 1.2 | 790,017 | 14,366[3] | 1.8 |
| Non-interest-earning assets[4] | 298,224 | | | 310,129 | | | 282,668 | | |
| Total average assets | 1,196,284 | | | 1,171,535 | | | 1,072,685 | | |

1 Reverse repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. 2 Includes financial assets at fair value held for trading, financial assets at fair value not held for trading, financial assets at fair value through other comprehensive income and brokerage receivables. 3 For the purpose of this disclosure, negative interest income on assets is presented as a reduction to interest income, while in the consolidated income statement negative interest income on assets is presented as interest expense. Refer to Note 3 in the "Consolidated financial statements" section of this report for more information. 4 Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial assets for unit-linked investment contracts.

**Average balances and interest rates (continued)**

| For the year ended | 31.12.21 | | | 31.12.20 | | | 31.12.19 | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) |
| Liabilities and equity | | | | | | | | | |
| Amount due to banks | | | | | | | | | |
| Domestic | 10,369 | (32) | (0.3) | 8,097 | (9) | (0.1) | 6,012 | (5) | (0.1) |
| Foreign | 2,897 | 18 | 0.6 | 3,169 | 26 | 0.8 | 2,697 | 21 | 0.8 |
| Payables from securities financing transactions[1] | | | | | | | | | |
| Domestic | 4,786 | 1 | 0.0 | 3,888 | 6 | 0.2 | 3,238 | 18 | 0.6 |
| Foreign | 14,161 | 209 | 1.5 | 18,793 | 174 | 0.9 | 17,218 | 353 | 2.1 |
| Customer deposits | | | | | | | | | |
| Domestic | 289,096 | (290) | (0.1) | 263,619 | (173) | (0.1) | 243,484 | (41) | 0.0 |
| *of which: demand deposits* | *160,019* | *(273)* | *(0.2)* | *137,599* | *(166)* | *(0.1)* | *123,833* | *(74)* | *(0.1)* |
| *of which: savings deposits* | *126,290* | *4* | *0.0* | *121,793* | *3* | *0.0* | *112,810* | *16* | *0.0* |
| *of which: time deposits* | *2,786* | *(20)* | *(0.7)* | *4,227* | *(9)* | *(0.2)* | *6,842* | *18* | *0.3* |
| Foreign | 232,165 | 107 | 0.0 | 214,785 | 552 | 0.3 | 185,097 | 1,784 | 1.0 |
| *of which: demand deposits* | *82,226* | *(31)* | *0.0* | *64,957* | *(6)* | *0.0* | *53,981* | *116* | *0.2* |
| *of which: savings deposits* | *99,847* | *81* | *0.1* | *71,341* | *194* | *0.3* | *48,629* | *186* | *0.4* |
| *of which: time deposits* | *50,092* | *58* | *0.1* | *78,488* | *363* | *0.5* | *82,488* | *1,482* | *1.8* |
| Commercial paper | | | | | | | | | |
| Domestic | 292 | 0 | 0.0 | 130 | 0 | (0.3) | 105 | 0 | 0.0 |
| Foreign | 24,461 | 33 | 0.1 | 17,098 | 120 | 0.7 | 19,762 | 356 | 1.8 |
| Other short-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 13 | 0 | (0.1) | 10 | 0 | 0.0 | 8 | 0 | 0.0 |
| Foreign | 18,473 | 37 | 0.2 | 16,989 | 147 | 0.9 | 9,019 | 112 | 1.2 |
| Long-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 67,916 | 1,789 | 2.6 | 64,899 | 1,988 | 3.1 | 58,802 | 2,043 | 3.5 |
| Foreign | 27,820 | 491 | 1.8 | 27,100 | 581 | 2.1 | 34,903 | 824 | 2.4 |
| Financial liabilities at fair value (excluding debt issued designated at fair value)[1,2] | | | | | | | | | |
| Domestic | 421 | 3 | 0.8 | 700 | 2 | 0.3 | 902 | 0 | 0.0 |
| Foreign | 137,268 | 13 | 0.0 | 145,398 | 324 | 0.2 | 143,216 | 1,834 | 1.3 |
| Debt issued designated at fair value | | | | | | | | | |
| Domestic | 9,905 | 48 | 0.5 | 4,376 | 35 | 0.8 | 2,337 | 43 | 1.8 |
| Foreign | 60,388 | 429 | 0.7 | 56,442 | 801 | 1.4 | 63,182 | 1,450 | 2.3 |
| Other interest-bearing liabilities | | | | | | | | | |
| Domestic | 2,884 | (7) | (0.2) | 3,333 | (6) | (0.2) | 2,384 | 15 | 0.6 |
| Foreign | 34,943 | 105 | 0.3 | 38,606 | 191 | 0.5 | 32,850 | 470 | 1.4 |
| Total interest-bearing liabilities | 938,259 | 2,954 | 0.3 | 887,433 | 4,759 | 0.5 | 825,216 | 9,277 | 1.1 |
| Swap interest on hedged debt issued and other swaps | | (765) | | | (608) | | | (63) | |
| Interest expense on off-balance sheet securities and other | | 795 | | | 576 | | | 651 | |
| Interest expense and average interest-bearing liabilities | 938,259 | 2,985[3] | 0.3 | 887,433 | 4,726[3] | 0.5 | 825,216 | 9,865[3] | 1.2 |
| Non-interest-bearing liabilities[4] | 198,130 | | | 226,388 | | | 193,040 | | |
| Total liabilities | 1,136,389 | | | 1,113,820 | | | 1,018,256 | | |
| Total equity | 59,895 | | | 57,715 | | | 54,429 | | |
| Total average liabilities and equity | 1,196,284 | | | 1,171,535 | | | 1,072,685 | | |
| Net interest income | | 6,705 | | | 5,862 | | | 4,501 | |
| Net yield on interest-earning assets | | | 0.7 | | | 0.7 | | | 0.6 |

1 Repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. 2 Includes financial liabilities at fair value held for trading, other financial liabilities designated at fair value and brokerage payables designated at fair value. 3 For the purpose of this disclosure, negative interest expense on liabilities is presented as a reduction to interest expense, while in the consolidated income statement negative interest income on liabilities is presented as interest income. Refer to Note 3 in the "Consolidated financial statements" section of this report for more information. 4 Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial liabilities related to unit-linked investment contracts.

The percentage of total average interest-earning assets attributable to foreign activities was 60% for 2021 (2020: 62%; 2019: 64%). The percentage of total average interest-bearing liabilities attributable to foreign activities was 56% for 2021 (2020: 61%; 2019: 62%). All assets and liabilities are translated into US dollars at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. Tax-exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax-exempt income is considered to be insignificant and the effect from such income is therefore negligible.

## Analysis of changes in interest income and expense

The following tables provide information by categories of interest-earning assets and interest-bearing liabilities on the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2021 compared with the year ended 31 December 2020, and for the year ended 31 December 2020 compared with the year ended 31 December 2019. Volume and rate variances have been calculated on movements in average balances and changes in interest rates. Changes due to a combination of volume and rates have been allocated proportionally.

| | 2021 compared with 2020 | | | 2020 compared with 2019 | | |
|---|---|---|---|---|---|---|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| *USD million* | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest income from interest-earning assets | | | | | | |
| Balances at central banks | | | | | | |
| Domestic | (9) | 16 | 7 | (59) | 155 | 96 |
| Foreign | 0 | (38) | (38) | 106 | (293) | (187) |
| Loans and advances to banks | | | | | | |
| Domestic | 3 | (6) | (3) | 4 | 10 | 14 |
| Foreign | 3 | (23) | (20) | 0 | 16 | 16 |
| Receivables from securities financing transactions | | | | | | |
| Domestic | 9 | (44) | (35) | 3 | 16 | 19 |
| Foreign | (77) | (240) | (317) | (122) | (981) | (1,103) |
| Loans and advances to customers | | | | | | |
| Domestic | 239 | (42) | 197 | 366 | (632) | (266) |
| Foreign | 515 | (954) | (439) | 224 | (1,015) | (791) |
| Financial assets at fair value | | | | | | |
| Domestic | (7) | (22) | (29) | 25 | (57) | (32) |
| Foreign | (207) | (416) | (623) | 16 | (1,674) | (1,658) |
| *of which: taxable* | *(207)* | *(416)* | *(623)* | *16* | *(1,674)* | *(1,658)* |
| *of which: non-taxable* | *0* | *0* | *0* | *0* | *0* | *0* |
| Other interest-earning assets | | | | | | |
| Domestic | (10) | (5) | (15) | 17 | (32) | (15) |
| Foreign | 13 | (101) | (88) | 179 | (430) | (251) |
| Interest income | | | | | | |
| Domestic | 225 | (103) | 122 | 356 | (540) | (184) |
| Foreign | 247 | (1,771) | (1,524) | 403 | (4,377) | (3,974) |
| Total interest income from interest-earning assets | 472 | (1,874) | (1,402) | 759 | (4,917) | (4,158) |
| Net interest income on swaps | | | 418 | | | 423 |
| Interest income on off-balance sheet securities and other | | | 86 | | | (43) |
| Total interest income | | | (899) | | | (3,778) |

**Analysis of changes in interest income and expense (continued)**

| | 2021 compared with 2020 | | | 2020 compared with 2019 | | |
|---|---|---|---|---|---|---|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| *USD million* | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest expense on interest-bearing liabilities | | | | | | |
| Amount due to banks | | | | | | |
| Domestic | (2) | (21) | (23) | (2) | (2) | (4) |
| Foreign | (2) | (6) | (8) | 4 | 1 | 5 |
| Payables from securities financing transactions | | | | | | |
| Domestic | 2 | (7) | (5) | 4 | (16) | (12) |
| Foreign | (42) | 76 | 34 | 33 | (211) | (178) |
| Customer deposits | | | | | | |
| Domestic | (19) | (98) | (117) | (22) | (110) | (132) |
| *of which: demand deposits* | *(22)* | *(86)* | *(108)* | *(14)* | *(78)* | *(92)* |
| *of which: savings deposits* | *0* | *1* | *1* | *0* | *(13)* | *(13)* |
| *of which: time deposits* | *3* | *(14)* | *(11)* | *(8)* | *(19)* | *(27)* |
| Foreign | 52 | (497) | (445) | 297 | (1,530) | (1,233) |
| *of which: demand deposits* | *(2)* | *(24)* | *(26)* | *24* | *(146)* | *(122)* |
| *of which: savings deposits* | *78* | *(192)* | *(114)* | *87* | *(79)* | *8* |
| *of which: time deposits* | *(24)* | *(281)* | *(305)* | *186* | *(1,306)* | *(1,120)* |
| Commercial paper | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 52 | (138) | (86) | (48) | (189) | (237) |
| Other short-term debt issued measured at amortized cost | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 13 | (123) | (110) | 133 | (98) | 35 |
| Long-term debt issued measured at amortized cost | | | | | | |
| Domestic | 94 | (293) | (199) | 3 | (59) | (56) |
| Foreign | 15 | (105) | (90) | (187) | (56) | (243) |
| Financial liabilities at fair value (excluding debt issued designated at fair value) | | | | | | |
| Domestic | (1) | 2 | 1 | 0 | 2 | 2 |
| Foreign | (16) | (295) | (311) | 28 | (1,538) | (1,510) |
| Debt issued designated at fair value | | | | | | |
| Domestic | 44 | (31) | 13 | 37 | (44) | (7) |
| Foreign | 55 | (427) | (372) | (155) | (494) | (649) |
| Other interest-bearing liabilities | | | | | | |
| Domestic | 1 | (2) | (1) | 6 | (27) | (21) |
| Foreign | (18) | (68) | (86) | 81 | (359) | (278) |
| Interest expense | | | | | | |
| Domestic | 119 | (450) | (331) | 26 | (257) | (231) |
| Foreign | 109 | (1,583) | (1,474) | 186 | (4,473) | (4,287) |
| Total interest expense on interest-bearing liabilities | 228 | (2,033) | (1,805) | 212 | (4,731) | (4,518) |
| Swap interest on hedged debt issued and other swaps | | | (157) | | | (545) |
| Interest expense on off-balance sheet securities and other | | | 220 | | | (75) |
| Total interest expense | | | (1,742) | | | (5,139) |

## Deposits

The following table analyzes average deposits and average rates on each deposit category for the years ended 31 December 2021, 2020 and 2019. For the purpose of this disclosure, foreign deposits represent deposits from depositors who are based outside of Switzerland. Deposits by foreign depositors in domestic offices were USD 77,011 million as of 31 December 2021 (31 December 2020: USD 76,167 million; 31 December 2019: USD 54,251 million).

| | 31.12.21 | | 31.12.20 | | 31.12.19 | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average deposits | Average rate (%) | Average deposits | Average rate (%) | Average deposits | Average rate (%) |
| Due to banks | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 927 | (0.5) | 1,037 | (0.4) | 925 | (0.3) |
| Time deposits | 3,026 | 0.0 | 1,775 | 0.4 | 44 | 0.9 |
| Total domestic | 3,953 | (0.1) | 2,812 | 0.1 | 969 | (0.3) |
| Foreign[1] | | | | | | |
| Interest-bearing deposits | 9,313 | (0.1) | 8,454 | 0.1 | 7,740 | 0.1 |
| Total due to banks | 13,266 | (0.1) | 11,266 | 0.1 | 8,709 | 0.1 |
| Customer deposits | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 101,338 | (0.2) | 90,070 | (0.1) | 83,835 | (0.1) |
| Savings deposits | 114,792 | 0.0 | 110,328 | 0.0 | 101,845 | 0.0 |
| Time deposits | 8,371 | (0.4) | 17,610 | (0.1) | 13,776 | 0.4 |
| Total domestic | 224,502 | (0.1) | 218,008 | (0.1) | 199,456 | 0.0 |
| Foreign[1] | | | | | | |
| Demand deposits | 140,906 | (0.1) | 112,486 | 0.0 | 93,979 | 0.1 |
| Savings deposits | 111,345 | 0.1 | 82,806 | 0.2 | 59,593 | 0.3 |
| Time deposits | 44,507 | 0.1 | 65,104 | 0.5 | 75,554 | 1.9 |
| Total foreign | 296,758 | 0.0 | 260,397 | 0.2 | 229,126 | 0.8 |
| Total customer deposits | 521,260 | 0.0 | 478,404 | 0.1 | 428,582 | 0.4 |

1 For the purpose of this table, the distinction between foreign and domestic deposits is based on the domicile of the depositor, while foreign and domestic deposits disclosed in previous tables are based on the booking location.

## Uninsured deposits

From the combined total of Due to banks and Customer deposits as of 31 December 2021, total estimated uninsured deposits were USD 392 billion (31 December 2020: USD 380 billion; 31 December 2019: USD 318 billion). Uninsured deposits are deposits that are in excess of local deposit insurance or protection scheme limits in the key locations in which UBS operates, calculated based on the respective local regulations, as well as deposits in uninsured accounts. The main deposit insurance schemes applicable to UBS deposits are the Swiss depositor protection scheme in Switzerland (which protects applicable deposits up to a maximum of CHF 100,000 per client and per bank or securities firm), the Compensation Scheme of German Banks, EdB, in combination with the Deposit Protection Fund of the Association of German Banks in Germany (which protects applicable deposits up to a maximum of EUR 597 million per client) and the Federal Deposit Insurance Corporation (the FDIC) scheme in the Americas (which protects applicable deposits up to a maximum of USD 250,000 per depositor, per insured bank, for each account ownership category).

The table below presents the maturity of estimated uninsured time deposits as of 31 December 2021. Where a depositor holds multiple accounts, which in aggregate are in excess of a deposit insurance or protection limit, the insured amount is first allocated to the account with the shortest time to maturity.

| *USD million* | Uninsured time deposits[1] |
|---|---|
| Within 3 months | 44,912 |
| 3 to 6 months | 2,748 |
| 6 to 12 months | 2,437 |
| Over 12 months | 85 |
| Total uninsured time deposits as of 31 December 2021 | 50,182 |

1 Amounts are estimated based on the methodologies defined in each local jurisdiction. As of 31 December 2021, there were no US time deposits subject to the FDIC scheme that were in excess of the FDIC insurance limit.

## Investments in debt instruments

The table below presents the carrying amount and weighted average yield of debt instruments presented within Financial assets measured at fair value through other comprehensive income and Other financial assets measured at amortized cost on the balance sheet by contractual maturity bucket. The yield for each range of maturities is calculated by dividing the annualized interest income by the average balance of the investment per contractual maturity bucket. The maturity information presented does not consider any early redemption features and debt instruments without fixed maturities are not included.

| | Within 1 year | | 1 up to 5 years | | 5 to 10 years | | Over 10 years | | Total carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | |
| Debt instruments measured at fair value through other comprehensive income | | | | | | | | | |
| Asset-backed securities | | | | | 1,129 | 1.63 | 3,720 | 1.42 | 4,849 |
| Government bills/bonds | 27 | 1.67 | 416 | 2.40 | 1,998 | 1.20 | 244 | 1.64 | 2,686 |
| Corporate and other | 1,193 | 1.61 | 116 | 2.48 | | | | | 1,310 |
| Subtotal as of 31 December 2021 | 1,220 | | 533 | | 3,127 | | 3,964 | | 8,844 |
| Debt securities measured at amortized cost | | | | | | | | | |
| Asset-backed securities | | | | | | | 2,418 | 2.32 | 2,418 |
| Government bills/bonds | 1,693 | 1.20 | 5,924 | 1.85 | 2,216 | 2.00 | | | 9,833 |
| Corporate and other | 1,025 | 0.77 | 4,264 | 0.30 | 1,318 | 0.33 | | | 6,608 |
| Subtotal as of 31 December 2021 | 2,718 | | 10,189 | | 3,534 | | 2,418 | | 18,858 |
| Total as of 31 December 2021 | 3,939 | | 10,721 | | 6,661 | | 6,382 | | 27,702 |

## Loan portfolio

The table below provides the maturity profile of UBS's core loan portfolio as of 31 December 2021. The contractual maturity is based on carrying amounts and includes the effect of callable features. For loans due after one year, a breakdown between fixed and adjustable or floating interest rates is also provided.

| *USD million* | 31.12.21 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 - 5 years | 5 - 15 years | Over 15 years | Total | *of which: over 1 year* | |
| | | | | | | *Fixed rate* | *Adjustable or floating rate* |
| Private clients with mortgages | 30,119 | 66,165 | 34,226 | 21,969 | 152,479 | *78,826* | *43,533* |
| Real estate financing | 20,010 | 15,628 | 8,266 | 41 | 43,945 | *19,057* | *4,878* |
| Large corporate clients | 8,787 | 4,396 | 807 | 1 | 13,990 | *3,879* | *1,325* |
| SME clients | 6,772 | 4,205 | 3,027 | 0 | 14,004 | *3,817* | *3,414* |
| Lombard | 142,261 | 6,733 | 247 | 42 | 149,283 | *6,481* | *540* |
| Credit cards | 1,716 | 0 | 0 | 0 | 1,716 | *0* | *0* |
| Commodity trade finance | 3,809 | 0 | 4 | 0 | 3,813 | *4* | *0* |
| Other loans and advances to customers | 9,614 | 7,463 | 1,357 | 100 | 18,532 | *5,308* | *3,611* |
| Loans to financial advisors | 118 | 1,196 | 1,073 | 66 | 2,453 | *2,335* | *0* |
| Total | 223,205 | 105,785 | 49,005 | 22,218 | 400,214 | *119,708* | *57,301* |

## Allowance for credit losses

For the years ended 31 December 2021, 2020 and 2019, the ratio of net charge-offs (i.e., write-offs of expected credit loss allowances to gross carrying amount of the average loans outstanding) during the period was not material for UBS's core loan portfolio, both on an overall basis and on an individual loan category basis. Total write-offs for 31 December 2021 were USD 137 million (31 December 2020: USD 356 million, 31 December 2019: USD 142 million). Refer to the coverage ratio tables in "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" in the "Consolidated financial statements" section of this report for the ratio of expected credit loss allowances to total loans outstanding at each period end.

# UBS AG consolidated supplemental disclosures required under SEC regulations

## A – Introduction

The following pages contain supplemental UBS AG disclosures that are required under SEC regulations. In September 2020, the SEC issued final rules updating and codifying the disclosure requirements for banking registrants set forth in Industry Guide 3, Statistical Disclosure by Bank Holding Companies. Under the final rules, Industry Guide 3 was rescinded and replaced with a new Subpart 1400 of Regulation S-K, which has come into effect for UBS AG's 2021 reporting. Part D of this section provides the information required by Subpart 1400 of Regulation S-K and where applicable, prior-period comparative information has been revised to align with the new requirements.

UBS AG's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are denominated in US dollars (USD), which is also the functional currency of: UBS AG's Head Office; UBS AG London Branch; and UBS AG's US-based operations.

# B – Selected financial data

## Key figures

| | As of or for the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Results | | | | | |
| Operating income | 35,976 | 32,780 | 29,307 | 30,642 | 30,044 |
| Operating expenses | 27,012 | 25,081 | 24,138 | 25,184 | 24,969 |
| Operating profit / (loss) from continuing operations before tax | 8,964 | 7,699 | 5,169 | 5,458 | 5,076 |
| Net profit / (loss) attributable to shareholders | 7,032 | 6,196 | 3,965 | 4,107 | 758 |
| Profitability and growth[1] | | | | | |
| Return on equity (%) | 12.3 | 10.9 | 7.4 | 7.9 | 1.4 |
| Return on tangible equity (%) | 13.9 | 12.4 | 8.5 | 9.1 | 1.6 |
| Return on common equity tier 1 capital (%) | 17.6 | 16.6 | 11.3 | 11.9 | 2.3 |
| Return on risk-weighted assets, gross (%) | 12.3 | 11.9 | 11.2 | 12.0 | 12.8 |
| Return on leverage ratio denominator, gross (%)[2] | 3.4 | 3.4 | 3.2 | 3.4 | 3.4 |
| Cost / income ratio (%) | 75.4 | 74.9 | 82.1 | 81.9 | 82.7 |
| Net profit growth (%) | 13.5 | 56.3 | (3.4) | 441.9 | (77.4) |
| Resources[1] | | | | | |
| Total assets | 1,116,145 | 1,125,327 | 971,927 | 958,066 | 940,020 |
| Equity attributable to shareholders | 58,102 | 57,754 | 53,722 | 52,224 | 51,987 |
| Common equity tier 1 capital[3] | 41,594 | 38,181 | 35,233 | 34,562 | 34,100 |
| Risk-weighted assets[3] | 299,005 | 286,743 | 257,831 | 262,840 | 242,725 |
| Common equity tier 1 capital ratio (%)[3] | 13.9 | 13.3 | 13.7 | 13.1 | 14.0 |
| Going concern capital ratio (%)[3] | 18.5 | 18.3 | 18.3 | 16.1 | 15.6 |
| Total loss-absorbing capacity ratio (%)[3] | 33.3 | 34.2 | 33.9 | 31.3 | 31.4 |
| Leverage ratio denominator[2,3] | 1,067,679 | 1,036,771 | 911,228 | 904,455 | 910,133 |
| Common equity tier 1 leverage ratio (%)[2,3] | 3.90 | 3.68 | 3.87 | 3.82 | 3.75 |
| Going concern leverage ratio (%)[2,3] | 5.2 | 5.1 | 5.2 | 4.7 | 4.2 |
| Total loss-absorbing capacity leverage ratio (%)[3] | 9.3 | 9.5 | 9.6 | 9.1 | 8.4 |

## Key figures (continued)

| | As of or for the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Other | | | | | |
| Invested assets (USD billion)[4] | 4,596 | 4,187 | 3,607 | 3,101 | 3,262 |
| Personnel (full-time equivalents) | 47,067 | 47,546 | 47,005 | 47,643 | 46,009 |
| Americas | 21,317 | 21,394 | 21,036 | 21,309 | 20,770 |
| *of which: USA* | *20,537* | *20,528* | *20,232* | *20,495* | *19,944* |
| Asia Pacific | 7,993 | 8,049 | 7,958 | 7,987 | 6,891 |
| Europe, Middle East and Africa (excluding Switzerland) | 5,748 | 5,797 | 5,546 | 5,669 | 5,404 |
| *of which: UK* | *2,611* | *2,596* | *2,392* | *2,508* | *2,428* |
| *of which: rest of Europe (excluding Switzerland)* | *2,949* | *3,024* | *2,988* | *2,992* | *2,814* |
| *of which: Middle East and Africa* | *189* | *177* | *166* | *168* | *161* |
| Switzerland | 12,009 | 12,307 | 12,465 | 12,678 | 12,943 |
| Registered ordinary shares (number) | 3,858,408,466 | 3,858,408,466 | 3,858,408,466 | 3,858,408,466 | 3,858,408,466 |
| Treasury shares (number) | 0 | 0 | 0 | 0 | 0 |

1 Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance measurement. 2 Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. 3 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of the report for the respective period for more information. 4 Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information.

## Income statement data

| | For the year ended | | | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
| Net interest income | 6,605 | 5,788 | 4,415 | 4,971 | 6,021 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,844 | 6,930 | 6,833 | 6,953 | 5,640 |
| Credit loss (expense) / release | 148 | (695) | (78) | (117) | (131) |
| Fee and commission income | 24,422 | 20,982 | 19,156 | 19,632 | 19,390 |
| Fee and commission expense | (1,985) | (1,775) | (1,696) | (1,703) | (1,840) |
| Net fee and commission income | 22,438 | 19,207 | 17,460 | 17,930 | 17,550 |
| Other income | 941 | 1,549 | 677 | 905 | 965 |
| Total operating income | 35,976 | 32,780 | 29,307 | 30,642 | 30,044 |
| Total operating expenses | 27,012 | 25,081 | 24,138 | 25,184 | 24,969 |
| Operating profit / (loss) before tax | 8,964 | 7,699 | 5,169 | 5,458 | 5,076 |
| Tax expense / (benefit) | 1,903 | 1,488 | 1,198 | 1,345 | 4,242 |
| Net profit / (loss) | 7,061 | 6,211 | 3,971 | 4,113 | 834 |
| Net profit / (loss) attributable to preferred noteholders | | | | | 73 |
| Net profit / (loss) attributable to non-controlling interests | 29 | 15 | 6 | 7 | 4 |
| Net profit / (loss) attributable to shareholders | 7,032 | 6,196 | 3,965 | 4,107 | 758 |
| Cost / income ratio (%) | 75.4 | 74.9 | 82.1 | 81.9 | 82.7 |
| Rates of return (%) | | | | | |
| Return on equity attributable to shareholders | 12.3 | 10.9 | 7.4 | 7.9 | 1.4 |

## Dividends received from investments in subsidiaries and associates

In 2021, UBS AG received dividends of USD 6,401 million (2020: USD 3,214 million; 2019: USD 3,508 million) from its subsidiaries and associates. Dividends disclosed have been translated to US dollars from the functional currency of the entity paying the dividend, using the closing exchange rate of the month the dividend was received.

## Balance sheet data

| USD million | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 | 31.12.17 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances at central banks | 192,817 | 158,231 | 107,068 | 108,370 | 90,045 |
| Loans and advances to banks | 15,360 | 15,344 | 12,379 | 16,642 | 14,047 |
| Receivables from securities financing transactions | 75,012 | 74,210 | 84,245 | 95,349 | 91,951 |
| Cash collateral receivables on derivative instruments | 30,514 | 32,737 | 23,289 | 23,603 | 24,040 |
| Loans and advances to customers | 398,693 | 380,977 | 327,992 | 321,482 | 328,952 |
| Other financial assets measured at amortized cost | 26,236 | 27,219 | 23,012 | 22,637 | 37,890 |
| Total financial assets measured at amortized cost | 738,632 | 688,717 | 577,985 | 588,084 | 586,925 |
| Financial assets at fair value held for trading | 131,033 | 125,492 | 127,695 | 104,513 | 129,509 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | *43,397* | *47,098* | *41,285* | *32,121* | *36,277* |
| Derivative financial instruments | 118,145 | 159,618 | 121,843 | 126,212 | 121,286 |
| Brokerage receivables | 21,839 | 24,659 | 18,007 | 16,840 | |
| Financial assets at fair value not held for trading | 59,642 | 80,038 | 83,636 | 82,387 | 60,070 |
| Total financial assets measured at fair value through profit or loss | 330,659 | 389,808 | 351,181 | 329,953 | 310,865 |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,258 | 6,345 | 6,667 | 8,889 |
| Investments in associates | 1,243 | 1,557 | 1,051 | 1,099 | 1,045 |
| Property, equipment and software | 11,712 | 11,958 | 11,826 | 8,479 | 8,191 |
| Goodwill and intangible assets | 6,378 | 6,480 | 6,469 | 6,647 | 6,563 |
| Deferred tax assets | 8,839 | 9,174 | 9,524 | 10,077 | 9,993 |
| Other non-financial assets | 9,836 | 9,374 | 7,547 | 7,062 | 7,548 |
| Total assets | 1,116,145 | 1,125,327 | 971,927 | 958,066 | 940,020 |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts due to banks | 13,101 | 11,050 | 6,570 | 10,962 | 7,728 |
| Payables from securities financing transactions | 5,533 | 6,321 | 7,778 | 10,296 | 17,485 |
| Cash collateral payables on derivative instruments | 31,801 | 37,313 | 31,416 | 28,906 | 31,029 |
| Customer deposits | 544,834 | 527,929 | 450,591 | 421,986 | 423,058 |
| Funding from UBS Group AG | 57,295 | 53,979 | 47,866 | 41,202 | 35,648 |
| Debt issued measured at amortized cost | 82,432 | 85,351 | 62,835 | 91,245 | 107,458 |
| Other financial liabilities measured at amortized cost | 9,765 | 10,421 | 10,373 | 7,576 | 38,092 |
| Total financial liabilities measured at amortized cost | 744,762 | 732,364 | 617,429 | 612,174 | 660,498 |
| Financial liabilities at fair value held for trading | 31,688 | 33,595 | 30,591 | 28,949 | 31,251 |
| Derivative financial instruments | 121,309 | 161,102 | 120,880 | 125,723 | 119,138 |
| Brokerage payables designated at fair value | 44,045 | 38,742 | 37,233 | 38,420 | |
| Debt issued designated at fair value | 71,460 | 59,868 | 66,592 | 57,031 | 50,782 |
| Other financial liabilities designated at fair value | 32,414 | 31,773 | 36,157 | 33,594 | 16,643 |
| Total financial liabilities measured at fair value through profit or loss | 300,916 | 325,080 | 291,452 | 283,717 | 217,814 |
| Provisions | 3,452 | 2,791 | 2,938 | 3,457 | 3,164 |
| Other non-financial liabilities | 8,572 | 7,018 | 6,211 | 6,318 | 6,499 |
| Total liabilities | 1,057,702 | 1,067,254 | 918,031 | 905,667 | 887,974 |
| Equity attributable to shareholders | 58,102 | 57,754 | 53,722 | 52,224 | 51,987 |
| Equity attributable to non-controlling interests | 340 | 319 | 174 | 176 | 59 |
| Total equity | 58,442 | 58,073 | 53,896 | 52,400 | 52,046 |
| Total liabilities and equity | 1,116,145 | 1,125,327 | 971,927 | 958,066 | 940,020 |

# C – Information about the company

### Property, plant and equipment

As of 31 December 2021, UBS AG operated about 680 business and banking locations worldwide, of which approximately 33% were in Switzerland, 48% in the Americas, 10% in the rest of Europe, Middle East and Africa, and 9% in Asia Pacific. Of the business and banking locations in Switzerland, 30% were owned directly by UBS AG, with the remainder, along with most of UBS AG's offices outside Switzerland, being held under commercial leases. These premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for current and anticipated operations.

# D – Information required by Subpart 1400 of Regulation S-K

## Selected statistical information

The following tables set forth select statistical information regarding UBS AG's banking operations extracted from its financial statements. Unless otherwise indicated, average balances for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 are calculated from monthly data. Unless otherwise indicated, the distinction between domestic (Swiss) and foreign (non-Swiss) is generally based on the booking location.

## Average balances and interest rates

The following table sets forth average interest-earning assets and average interest-bearing liabilities, along with the average yield, for 2021, 2020 and 2019. Refer to "Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information about interest income and interest expense.

| For the year ended | 31.12.21 | | | 31.12.20 | | | 31.12.19 | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Assets | | | | | | | | | |
| Balances at central banks | | | | | | | | | |
| Domestic | 98,804 | (105) | (0.1) | 90,234 | (112) | (0.1) | 70,639 | (208) | (0.3) |
| Foreign | 71,529 | (31) | 0.0 | 51,611 | 7 | 0.0 | 34,017 | 194 | 0.6 |
| Loans and advances to banks | | | | | | | | | |
| Domestic | 3,158 | 40 | 1.3 | 2,930 | 43 | 1.5 | 2,574 | 29 | 1.1 |
| Foreign | 12,961 | 12 | 0.1 | 12,001 | 31 | 0.3 | 11,853 | 15 | 0.1 |
| Receivables from securities financing transactions[1] | | | | | | | | | |
| Domestic | 9,435 | (28) | (0.3) | 4,746 | 8 | 0.2 | 7,550 | (11) | (0.1) |
| Foreign | 79,297 | 234 | 0.3 | 92,098 | 551 | 0.6 | 99,269 | 1,654 | 1.7 |
| Loans and advances to customers | | | | | | | | | |
| Domestic | 229,794 | 3,214 | 1.4 | 212,383 | 3,020 | 1.4 | 190,898 | 3,300 | 1.7 |
| Foreign | 160,869 | 2,698 | 1.7 | 138,485 | 3,136 | 2.3 | 131,020 | 3,926 | 3.0 |
| Financial assets at fair value[1,2] | | | | | | | | | |
| Domestic | 10,023 | 11 | 0.1 | 12,459 | 40 | 0.3 | 9,317 | 72 | 0.8 |
| Foreign | 169,368 | 1,203 | 0.7 | 192,381 | 1,826 | 0.9 | 191,500 | 3,484 | 1.8 |
| *of which: taxable* | *169,356* | *1,202* | *0.7* | *192,374* | *1,826* | *0.9* | *191,500* | *3,484* | *1.8* |
| *of which: non-taxable* | *12* | *0* | *2.4* | *7* | *0* | *4.0* | | | |
| Other interest-earning assets | | | | | | | | | |
| Domestic | 7,477 | 121 | 1.6 | 8,064 | 136 | 1.7 | 7,258 | 151 | 2.1 |
| Foreign | 47,042 | 298 | 0.6 | 45,443 | 386 | 0.8 | 35,471 | 637 | 1.8 |
| Total interest-earning assets | 899,757 | 7,666 | 0.9 | 862,835 | 9,071 | 1.1 | 791,366 | 13,242 | 1.7 |
| Net interest income on swaps | | 1,558 | | | 1,140 | | | 716 | |
| Interest income on off-balance sheet securities and other | | 472 | | | 386 | | | 429 | |
| Interest income and average interest-earning assets | 899,757 | 9,695[3] | 1.1 | 862,835 | 10,597[3] | 1.2 | 791,366 | 14,386[3] | 1.8 |
| Non-interest-earning assets[4] | 296,300 | | | 308,528 | | | 280,815 | | |
| Total average assets | 1,196,057 | | | 1,171,363 | | | 1,072,181 | | |

1 Reverse repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. 2 Includes financial assets at fair value held for trading, financial assets at fair value not held for trading, financial assets at fair value through other comprehensive income and brokerage receivables. 3 For the purpose of this disclosure, negative interest income on assets is presented as a reduction to interest income, while in the consolidated income statement negative interest income on assets is presented as interest expense. Refer to Note 3 in the "Consolidated financial statements" section of this report for more information. 4 Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial assets for unit-linked investment contracts.

**Average balances and interest rates (continued)**

| For the year ended | 31.12.21 | | | 31.12.20 | | | 31.12.19 | | |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) |
| Liabilities and equity | | | | | | | | | |
| Amount due to banks | | | | | | | | | |
| Domestic | 10,369 | (32) | (0.3) | 8,097 | (9) | (0.1) | 6,012 | (5) | (0.1) |
| Foreign | 2,897 | 18 | 0.6 | 3,169 | 26 | 0.8 | 2,697 | 21 | 0.8 |
| Payables from securities financing transactions[1] | | | | | | | | | |
| Domestic | 4,786 | 1 | 0.0 | 3,888 | 6 | 0.2 | 3,238 | 18 | 0.6 |
| Foreign | 14,161 | 209 | 1.5 | 18,793 | 174 | 0.9 | 17,218 | 353 | 2.1 |
| Customer deposits | | | | | | | | | |
| Domestic | 293,028 | (281) | (0.1) | 266,614 | (160) | (0.1) | 246,066 | 133 | 0.1 |
| *of which: demand deposits* | *162,016* | *(273)* | *(0.2)* | *138,949* | *(164)* | *(0.1)* | *125,127* | *(66)* | *(0.1)* |
| *of which: savings deposits* | *126,290* | *4* | *0.0* | *121,793* | *3* | *0.0* | *112,810* | *16* | *0.0* |
| *of which: time deposits* | *4,721* | *(12)* | *(0.3)* | *5,873* | *1* | *0.0* | *8,130* | *18* | *0.2* |
| Foreign | 232,165 | 107 | 0.0 | 214,783 | 551 | 0.3 | 185,093 | 1,784 | 1.0 |
| *of which: demand deposits* | *82,226* | *(31)* | *0.0* | *64,955* | *(6)* | *0.0* | *53,976* | *116* | *0.2* |
| *of which: savings deposits* | *99,847* | *81* | *0.1* | *71,341* | *194* | *0.3* | *48,629* | *186* | *0.4* |
| *of which: time deposits* | *50,092* | *58* | *0.1* | *78,488* | *363* | *0.5* | *82,488* | *1,483* | *1.8* |
| Funding from UBS Group AG | | | | | | | | | |
| Domestic | 56,008 | 1,699 | 3.0 | 51,005 | 1,740 | 3.4 | 45,487 | 1,896 | 4.2 |
| Foreign | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 |
| Commercial paper | | | | | | | | | |
| Domestic | 292 | 0 | 0.0 | 130 | 0 | 0.0 | 105 | 0 | 0.0 |
| Foreign | 24,461 | 33 | 0.1 | 17,098 | 120 | 0.7 | 19,762 | 356 | 1.8 |
| Other short-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 13 | 0 | (0.1) | 10 | 0 | 0.0 | 8 | 0 | 0.0 |
| Foreign | 18,473 | 37 | 0.2 | 16,989 | 147 | 0.9 | 9,019 | 112 | 1.2 |
| Long-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 12,352 | 192 | 1.6 | 14,054 | 323 | 2.3 | 13,483 | 336 | 2.5 |
| Foreign | 27,820 | 491 | 1.8 | 27,100 | 581 | 2.1 | 34,903 | 824 | 2.4 |
| Financial liabilities at fair value (excluding debt issued designated at fair value)[1,2] | | | | | | | | | |
| Domestic | 421 | 3 | 0.8 | 701 | 2 | 0.3 | 903 | 0 | 0.0 |
| Foreign | 139,374 | 81 | 0.1 | 146,306 | 354 | 0.2 | 143,246 | 1,835 | 1.3 |
| Debt issued designated at fair value | | | | | | | | | |
| Domestic | 7,806 | (20) | (0.3) | 3,469 | 6 | 0.2 | 2,307 | 42 | 1.8 |
| Foreign | 60,388 | 429 | 0.7 | 56,442 | 801 | 1.4 | 63,182 | 1,450 | 2.3 |
| Other interest-bearing liabilities | | | | | | | | | |
| Domestic | 2,884 | (7) | (0.2) | 3,333 | (6) | (0.2) | 2,381 | 15 | 0.6 |
| Foreign | 34,833 | 101 | 0.3 | 38,516 | 187 | 0.5 | 32,768 | 465 | 1.4 |
| Total interest-bearing liabilities | 942,531 | 3,060 | 0.3 | 890,498 | 4,841 | 0.5 | 827,878 | 9,470 | 1.1 |
| Swap interest on hedged debt instruments and other swaps | | (765) | | | (608) | | | (149) | |
| Interest expense on off-balance sheet securities and other | | 797 | | | 576 | | | 651 | |
| Interest expense and average interest-bearing liabilities | 942,531 | 3,091[3] | 0.3 | 890,498 | 4,809[3] | 0.5 | 827,878 | 9,971[3] | 1.2 |
| Non-interest-bearing liabilities[4] | 196,273 | | | 224,468 | | | 191,113 | | |
| Total liabilities | 1,138,804 | | | 1,114,966 | | | 1,018,991 | | |
| Total equity | 57,254 | | | 56,397 | | | 53,189 | | |
| Total average liabilities and equity | 1,196,057 | | | 1,171,363 | | | 1,072,181 | | |
| Net interest income | | 6,604 | | | 5,788 | | | 4,415 | |
| Net yield on interest-earning assets | | | 0.7 | | | 0.7 | | | 0.6 |

1 Repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. 2 Includes financial liabilities at fair value held for trading, other financial liabilities designated at fair value and brokerage payables designated at fair value. 3 For the purpose of this disclosure, negative interest expense on liabilities is presented as a reduction to interest expense, while in the consolidated income statement negative interest income on liabilities is presented as interest income. Refer to Note 3 in the "Consolidated financial statements" section of this report for more information. 4 Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial liabilities related to unit-linked investment contracts.

The percentage of total average interest-earning assets attributable to foreign activities was 60% for 2021 (2020: 62%; 2019: 64%). The percentage of total average interest-bearing liabilities attributable to foreign activities was 56% for 2021 (2020: 61%; 2019: 61%). All assets and liabilities are translated into US dollars at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. Tax-exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax-exempt income is considered to be insignificant and the effect from such income is therefore negligible.

## Analysis of changes in interest income and expense

The following tables provide information by categories of interest-earning assets and interest-bearing liabilities on the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2021 compared with the year ended 31 December 2020, and for the year ended 31 December 2020 compared with the year ended 31 December 2019. Volume and rate variances have been calculated on movements in average balances and changes in interest rates. Changes due to a combination of volume and rates have been allocated proportionally.

| | 2021 compared with 2020 | | | 2020 compared with 2019 | | |
|---|---|---|---|---|---|---|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| *USD million* | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest income from interest-earning assets | | | | | | |
| Balances at central banks | | | | | | |
| Domestic | (9) | 16 | 7 | (59) | 155 | 96 |
| Foreign | 0 | (38) | (38) | 106 | (293) | (187) |
| Loans and advances to banks | | | | | | |
| Domestic | 3 | (6) | (3) | 4 | 10 | 14 |
| Foreign | 3 | (23) | (20) | 0 | 16 | 16 |
| Receivables from securities financing transactions | | | | | | |
| Domestic | 9 | (44) | (35) | 3 | 16 | 19 |
| Foreign | (77) | (240) | (317) | (122) | (981) | (1,103) |
| Loans and advances to customers | | | | | | |
| Domestic | 244 | (50) | 194 | 365 | (645) | (280) |
| Foreign | 515 | (954) | (439) | 224 | (1,014) | (790) |
| Financial assets at fair value | | | | | | |
| Domestic | (7) | (22) | (29) | 25 | (57) | (32) |
| Foreign | (207) | (416) | (623) | 16 | (1,674) | (1,658) |
| *of which: taxable* | *(207)* | *(416)* | *(623)* | *16* | *(1,674)* | *(1,658)* |
| *of which: non-taxable* | *0* | *0* | *0* | *0* | *0* | *0* |
| Other interest-earning assets | | | | | | |
| Domestic | (10) | (5) | (15) | 17 | (32) | (15) |
| Foreign | 13 | (101) | (88) | 179 | (430) | (251) |
| Interest income | | | | | | |
| Domestic | 230 | (111) | 119 | 355 | (553) | (198) |
| Foreign | 247 | (1,772) | (1,525) | 403 | (4,376) | (3,973) |
| Total interest income from interest-earning assets | 477 | (1,883) | (1,406) | 758 | (4,929) | (4,171) |
| Net interest income on swaps | | | 418 | | | 424 |
| Interest income on off-balance sheet securities and other | | | 86 | | | (43) |
| Total interest income | | | (902) | | | (3,789) |

**Analysis of changes in interest income and expense (continued)**

| | 2021 compared with 2020 | | | 2020 compared with 2019 | | |
|---|---|---|---|---|---|---|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| *USD million* | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest expense on interest-bearing liabilities | | | | | | |
| Amount due to banks | | | | | | |
| Domestic | (2) | (21) | (23) | (2) | (3) | (5) |
| Foreign | (2) | (5) | (7) | 4 | 1 | 5 |
| Payables from securities financing transactions | | | | | | |
| Domestic | 2 | (7) | (5) | 4 | (16) | (12) |
| Foreign | (42) | 76 | 34 | 33 | (211) | (178) |
| Customer deposits | | | | | | |
| Domestic | (23) | (98) | (121) | (19) | (109) | (128) |
| *of which: demand deposits* | *(23)* | *(86)* | *(109)* | *(14)* | *(84)* | *(98)* |
| *of which: savings deposits* | *0* | *1* | *1* | *0* | *(13)* | *(13)* |
| *of which: time deposits* | *0* | *(13)* | *(13)* | *(5)* | *(12)* | *(17)* |
| Foreign | 52 | (497) | (445) | 297 | (1,530) | (1,233) |
| *of which: demand deposits* | *0* | *(26)* | *(26)* | *22* | *(144)* | *(122)* |
| *of which: savings deposits* | *86* | *(200)* | *(114)* | *91* | *(83)* | *8* |
| *of which: time deposits* | *(142)* | *(163)* | *(305)* | *206* | *(1,326)* | *(1,120)* |
| Funding from UBS Group AG | | | | | | |
| Domestic | 170 | (211) | (41) | (3) | (153) | (156) |
| Foreign | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial paper | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 52 | (138) | (86) | (48) | (189) | (237) |
| Other short-term debt issued measured at amortized cost | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 13 | (123) | (110) | 133 | (98) | 35 |
| Long-term debt issued measured at amortized cost | | | | | | |
| Domestic | (39) | (92) | (131) | 14 | (27) | (13) |
| Foreign | 15 | (105) | (90) | (187) | (56) | (243) |
| Financial liabilities at fair value (excluding debt issued designated at fair value) | | | | | | |
| Domestic | (1) | 2 | 1 | 0 | 2 | 2 |
| Foreign | (14) | (259) | (273) | 40 | (1,521) | (1,481) |
| Debt issued designated at fair value | | | | | | |
| Domestic | 9 | (34) | (25) | 21 | (57) | (36) |
| Foreign | 55 | (426) | (371) | (155) | (494) | (649) |
| Other interest-bearing liabilities | | | | | | |
| Domestic | 1 | (2) | (1) | 6 | (27) | (21) |
| Foreign | (18) | (68) | (86) | 80 | (358) | (278) |
| Interest expense | | | | | | |
| Domestic | 117 | (463) | (346) | 21 | (390) | (369) |
| Foreign | 111 | (1,546) | (1,435) | 197 | (4,456) | (4,259) |
| Total interest expense on interest-bearing liabilities | 228 | (2,010) | (1,782) | 218 | (4,846) | (4,628) |
| Swap interest on hedged debt instruments and other swaps | | | (157) | | | (459) |
| Interest expense on off-balance sheet securities and other | | | 221 | | | (75) |
| Total interest expense | | | (1,718) | | | (5,162) |

## Deposits

The following table analyzes average deposits and average rates on each deposit category for the years ended 31 December 2021, 2020 and 2019. For the purpose of this disclosure, foreign deposits represent deposits from depositors who are based outside of Switzerland. Deposits by foreign depositors in domestic offices were USD 77,070 million as of 31 December 2021 (31 December 2020: USD 76,200 million; 31 December 2019: USD 54,262 million).

| | 31.12.21 | | 31.12.20 | | 31.12.19 | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Average deposits | Average rate (%) | Average deposits | Average rate (%) | Average deposits | Average rate (%) |
| Due to banks | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 927 | (0.5) | 1,037 | (0.4) | 925 | (0.3) |
| Time deposits | 3,026 | 0.0 | 1,775 | 0.4 | 44 | 0.9 |
| Total domestic | 3,953 | (0.1) | 2,812 | 0.1 | 969 | (0.3) |
| Foreign[1] | | | | | | |
| Interest-bearing deposits | 9,313 | (0.1) | 8,454 | 0.1 | 7,740 | 0.1 |
| Total due to banks | 13,266 | (0.1) | 11,266 | 0.1 | 8,709 | 0.1 |
| | | | | | | |
| Customer deposits | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 103,267 | (0.2) | 91,404 | (0.1) | 85,115 | (0.1) |
| Savings deposits | 114,792 | 0.0 | 110,328 | 0.0 | 101,845 | 0.0 |
| Time deposits | 10,306 | (0.2) | 19,256 | 0.0 | 15,064 | 0.3 |
| Total domestic | 228,366 | (0.1) | 220,988 | 0.0 | 202,024 | 0.0 |
| Foreign[1] | | | | | | |
| Demand deposits | 140,975 | (0.1) | 112,499 | 0.0 | 93,988 | 0.1 |
| Savings deposits | 111,345 | 0.1 | 82,806 | 0.2 | 59,593 | 0.3 |
| Time deposits | 44,507 | 0.1 | 65,104 | 0.5 | 75,554 | 1.9 |
| Total foreign | 296,826 | 0.0 | 260,410 | 0.2 | 229,135 | 0.8 |
| Total customer deposits | 525,192 | 0.0 | 481,398 | 0.1 | 431,159 | 0.4 |

1 For the purpose of this table, the distinction between foreign and domestic deposits is based on the domicile of the depositor, while foreign and domestic deposits disclosed in previous tables are based on the booking location.

## Uninsured deposits

From the combined total of Due to banks and Customer deposits as of 31 December 2021, total estimated uninsured deposits were USD 395 billion (31 December 2020: USD 383 billion; 31 December 2019: USD 320 billion). Uninsured deposits are deposits that are in excess of local deposit insurance or protection scheme limits in the key locations in which UBS AG operates, calculated based on the respective local regulations, as well as deposits in uninsured accounts. The main deposit insurance schemes applicable to UBS AG deposits are the Swiss depositor protection scheme in Switzerland (which protects applicable deposits up to a maximum of CHF 100,000 per client and per bank or securities firm), the Compensation Scheme of German Banks, EdB, in combination with the Deposit Protection Fund of the Association of German Banks in Germany (which protects applicable deposits up to a maximum of EUR 597 million per client) and the Federal Deposit Insurance Corporation (the FDIC) scheme in the Americas (which protects applicable deposits up to a maximum of USD 250,000 per depositor, per insured bank, for each account ownership category).

The table below presents the maturity of estimated uninsured time deposits as of 31 December 2021. Where a depositor holds multiple accounts, which in aggregate are in excess of a deposit insurance or protection limit, the insured amount is first allocated to the account with the shortest time to maturity.

| *USD million* | Uninsured time deposits[1] |
|---|---|
| Within 3 months | 46,223 |
| 3 to 6 months | 2,748 |
| 6 to 12 months | 2,437 |
| Over 12 months | 720 |
| Total uninsured time deposits as of 31 December 2021 | 52,128 |

1 Amounts are estimated based on the methodologies defined in each local jurisdiction. As of 31 December 2021, there were no US time deposits subject to the FDIC scheme that were in excess of the FDIC insurance limit.

## Investments in debt instruments

The table below presents the carrying amount and weighted average yield of debt instruments presented within Financial assets measured at fair value through other comprehensive income and Other financial assets measured at amortized cost on the balance sheet by contractual maturity bucket. The yield for each range of maturities is calculated by dividing the annualized interest income by the average balance of the investment per contractual maturity bucket. The maturity information presented does not consider any early redemption features and debt instruments without fixed maturities are not included.

| | Within 1 year | | 1 up to 5 years | | 5 to 10 years | | Over 10 years | | Total carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| *USD million, except where indicated* | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | |
| Debt instruments measured at fair value through other comprehensive income | | | | | | | | | |
| Asset-backed securities | | | | | 1,129 | 1.63 | 3,720 | 1.42 | 4,849 |
| Government bills/bonds | 27 | 1.67 | 416 | 2.40 | 1,998 | 1.20 | 244 | 1.64 | 2,686 |
| Corporate and other | 1,193 | 1.61 | 116 | 2.48 | | | | | 1,310 |
| Subtotal as of 31 December 2021 | 1,220 | | 533 | | 3,127 | | 3,964 | | 8,844 |
| Debt securities measured at amortized cost | | | | | | | | | |
| Asset-backed securities | | | | | | | 2,418 | 2.32 | 2,418 |
| Government bills/bonds | 1,693 | 1.20 | 5,924 | 1.85 | 2,216 | 2.00 | | | 9,833 |
| Corporate and other | 1,025 | 0.77 | 4,264 | 0.30 | 1,318 | 0.33 | | | 6,608 |
| Subtotal as of 31 December 2021 | 2,718 | | 10,189 | | 3,534 | | 2,418 | | 18,858 |
| Total as of 31 December 2021 | 3,939 | | 10,721 | | 6,661 | | 6,382 | | 27,702 |

## Loan portfolio

The table below provides the maturity profile of UBS AG's core loan portfolio as of 31 December 2021. The contractual maturity is based on carrying amounts and includes the effect of callable features. For loans due after one year, a breakdown between fixed and adjustable or floating interest rates is also provided.

| *USD million* | 31.12.21 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 - 5 years | 5 - 15 years | Over 15 years | Total | *of which: over 1 year* | |
| | | | | | | *Fixed rate* | *Adjustable or floating rate* |
| Private clients with mortgages | 30,119 | 66,165 | 34,226 | 21,969 | 152,479 | *78,826* | *43,533* |
| Real estate financing | 20,010 | 15,628 | 8,266 | 41 | 43,945 | *19,057* | *4,878* |
| Large corporate clients | 8,787 | 4,396 | 807 | 1 | 13,990 | *3,879* | *1,325* |
| SME clients | 6,772 | 4,205 | 3,027 | 0 | 14,004 | *3,817* | *3,414* |
| Lombard | 142,261 | 6,733 | 247 | 42 | 149,283 | *6,481* | *540* |
| Credit cards | 1,716 | 0 | 0 | 0 | 1,716 | *0* | *0* |
| Commodity trade finance | 3,809 | 0 | 4 | 0 | 3,813 | *4* | *0* |
| Other loans and advances to customers | 10,293 | 7,679 | 1,393 | 100 | 19,464 | *5,411* | *3,760* |
| Loans to financial advisors | 118 | 1,196 | 1,073 | 66 | 2,453 | *2,335* | *0* |
| Total | 223,884 | 106,002 | 49,042 | 22,218 | 401,146 | *119,811* | *57,450* |

## Allowance for credit losses

For the years ended 31 December 2021, 2020 and 2019, the ratio of net charge-offs (i.e., write-offs of expected credit loss allowances to gross carrying amount of the average loans outstanding) during the period was not material for UBS AG's core loan portfolio, both on an overall basis and on an individual loan category basis. Total write-offs for 31 December 2021 were USD 137 million (31 December 2020: USD 356 million, 31 December 2019: USD 142 million). Refer to the coverage ratio tables in "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" in the "Consolidated financial statements" section of this report for the ratio of expected credit loss allowances to total loans outstanding at each period end.

# Appendix

A

# Alternative performance measures

## Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in the discussion of the financial and operating performance of the Group, our business divisions and our Group Functions. We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented in alphabetical order in the table below. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

| APM label | Calculation | Information content |
|---|---|---|
| **Active Digital Banking clients in Corporate & Institutional Clients (%) – P&C** | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients, excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients. |
| **Active Digital Banking clients in Personal Banking (%) – P&C** | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking. |
| **Business volume for Personal Banking (CHF and USD) – P&C** | Calculated as the sum of client assets and loans. | This measure provides information about the volume of client assets and loans. |
| **Client assets (USD and CHF) – P&C** | Calculated as the sum of invested assets and other assets held purely for transactional purposes or custody only. Net new money is not measured for Personal & Corporate Banking. | This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes, including other assets held purely for transactional purposes or custody only. |
| **Cost / income ratio (%)** | Calculated as operating expenses divided by operating income before credit loss expense or release (annualized as applicable). | This measure provides information about the efficiency of the business by comparing operating expenses with gross income. |
| **Fee-generating assets (USD) – GWM** | Calculated as the sum of discretionary and non-discretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment and mutual funds, including hedge funds and private markets, where we have a distribution agreement. | This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream. |

| APM label | Calculation | Information content |
|---|---|---|
| **Fee-generating asset margin (bps) – GWM** | Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period. For the US, fees have been billed on daily balances since the fourth quarter of 2020 and average fee-generating assets are calculated as the average of the monthly average balances. Prior to the fourth quarter 2020, billing was based on prior quarter-end balances, and the average fee-generating assets were thus the prior quarter-end balance. For balances outside of the US, billing is based on prior month-end balances and average fee-generating assets are thus the average of the prior month-end balances. | This measure provides information about the revenues from fee-generating assets in relation to their average volume during the relevant mandate fee billing period. |
| **Gross margin on invested assets (bps) – AM** | Calculated as operating income before credit loss expense or release (annualized as applicable) divided by average invested assets. | This measure provides information about the operating income before credit loss expense or release of the business in relation to invested assets. |
| **Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – GWM, P&C** | Calculated as impaired loan portfolio divided by total gross loan portfolio. | This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio. |
| **Invested assets (USD and CHF) – GWM, P&C, AM** | Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. | This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes. |
| **Loan penetration (%) – GWM** | Calculated as loans divided by invested assets. | This measure provides information about loan volume in relation to invested assets. |
| **Mobile Banking log-in share in Personal Banking (%) – P&C** | Calculated as the number of Mobile Banking app log-ins divided by total log-ins via E-Banking and the Mobile Banking app in Personal Banking. If a digital banking contract is linked to multiple business relationships, the log-in is attributed to the business relationship with the most banking products in use. | This measure provides information about the proportion of Mobile Banking app log-ins in the total number of log-ins via E-Banking and the Mobile Banking app in Personal Banking. |
| **Net interest margin (bps) – P&C** | Calculated as net interest income (annualized as applicable) divided by average loans. | This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value. |
| **Net margin on invested assets (bps) – AM** | Calculated as operating profit before tax (annualized as applicable) divided by average invested assets. | This measure provides information about the operating profit before tax of the business in relation to invested assets. |
| **Net new business volume for Personal Banking (CHF and USD) – P&C** | Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable). | This measure provides information about the business volume as a result of net new business volume flows during a specific period. |
| **Net new business volume growth for Personal Banking (%) – P&C** | Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable) divided by total business volume / client assets at the beginning of the period. | This measure provides information about the growth of business volume as a result of net new business volume flows during a specific period. |
| **Net new fee-generating assets (USD) – GWM** | Calculated as the sum of the net amount of fee-generating assets inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients, during a specific period. | This measure provides information about the development of fee-generating assets during a specific period as a result of net flows and excludes movements due to market performance and foreign exchange translation. |
| **Net new money (USD) – GWM, AM** | Calculated as the sum of the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period. | This measure provides information about the development of invested assets during a specific period as a result of net new money flows and excludes movements due to market performance, foreign exchange translation, dividends, interest and fees. |
| **Net profit growth (%)** | Calculated as the 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 the comparison period. | This measure provides information about profit growth in comparison with the prior period. |

| APM label | Calculation | Information content |
|---|---|---|
| **Pre-tax profit growth (%)** | Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period. | This measure provides information about pre-tax profit growth in comparison with the prior period. |
| **Recurring net fee income (USD and CHF) – GWM, P&C** | Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts. | This measure provides information about the amount of recurring net fee income. |
| **Return on attributed equity (%)** | Calculated as annualized business division operating profit before tax divided by average attributed equity. | This measure provides information about the profitability of the business divisions in relation to attributed equity. |
| **Return on common equity tier 1 capital (%)** | Calculated as annualized net profit attributable to shareholders 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. |
| **Return on equity (%)** | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. | This measure provides information about the profitability of the business in relation to equity. |
| **Return on leverage ratio denominator, gross (%)** | Calculated as annualized operating income before credit loss expense or release divided by average leverage ratio denominator. | This measure provides information about the revenues of the business in relation to leverage ratio denominator. |
| **Return on risk-weighted assets, gross (%)** | Calculated as annualized operating income before credit loss expense or release divided by average risk-weighted assets. | This measure provides information about the revenues of the business in relation to risk-weighted assets. |
| **Return on tangible equity (%)** | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. | This measure provides information about the profitability of the business in relation to tangible equity. |
| **Secured loan portfolio as a percentage of total loan portfolio, gross (%) – P&C** | Calculated as secured loan portfolio divided by total gross loan portfolio. | This measure provides information about the proportion of the secured loan portfolio in the total gross loan portfolio. |
| **Tangible book value per share (USD and CHF[1])** | Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding. | This measure provides information about tangible net assets on a per-share basis. |
| **Total book value per share (USD and CHF[1])** | Calculated as equity attributable to shareholders divided by the number of shares outstanding. | This measure provides information about net assets on a per-share basis. |
| **Transaction-based income (USD and CHF) – GWM, P&C** | Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. | This measure provides information about the amount of the non-recurring portion of net fee and commission income. |

1 Total book value per share and tangible book value per share in Swiss francs are calculated based on a translation of equity under our US dollar presentation currency.

# Abbreviations frequently used in our financial reports

**A**

| | |
|---|---|
| ABS | asset-backed securities |
| AGM | Annual General Meeting of shareholders |
| A-IRB | advanced internal ratings-based |
| AIV | alternative investment vehicle |
| ALCO | Asset and Liability Committee |
| AMA | advanced measurement approach |
| AML | anti-money laundering |
| AoA | Articles of Association |
| APM | alternative performance measure |
| ARR | alternative reference rate |
| ARS | auction rate securities |
| ASF | available stable funding |
| AT1 | additional tier 1 |
| AuM | assets under management |

**B**

| | |
|---|---|
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| BoD | Board of Directors |

**C**

| | |
|---|---|
| CAO | Capital Adequacy Ordinance |
| CCAR | Comprehensive Capital Analysis and Review |
| CCF | credit conversion factor |
| CCP | central counterparty |
| CCR | counterparty credit risk |
| CCRC | Corporate Culture and Responsibility Committee |
| CDS | credit default swap |
| CEA | Commodity Exchange Act |
| CEO | Chief Executive Officer |
| CET1 | common equity tier 1 |
| CFO | Chief Financial Officer |
| CFTC | US Commodity Futures Trading Commission |
| CGU | cash-generating unit |
| CHF | Swiss franc |
| CIO | Chief Investment Office |
| CLS | Continuous Linked Settlement |
| C&ORC | Compliance & Operational Risk Control |
| CRD IV | EU Capital Requirements Directive of 2013 |
| CRM | credit risk mitigation (credit risk) or comprehensive risk measure (market risk) |
| CST | combined stress test |
| CUSIP | Committee on Uniform Security Identification Procedures |
| CVA | credit valuation adjustment |

**D**

| | |
|---|---|
| DBO | defined benefit obligation |
| DCCP | Deferred Contingent Capital Plan |
| DM | discount margin |
| DOJ | US Department of Justice |
| DTA | deferred tax asset |
| DVA | debit valuation adjustment |

**E**

| | |
|---|---|
| EAD | exposure at default |
| EB | Executive Board |
| EC | European Commission |
| ECB | European Central Bank |
| ECL | expected credit loss |
| EGM | Extraordinary General Meeting of shareholders |
| EIR | effective interest rate |
| EL | expected loss |
| EMEA | Europe, Middle East and Africa |
| EOP | Equity Ownership Plan |
| EPS | earnings per share |
| ESG | environmental, social and governance |
| ETD | exchange-traded derivatives |
| ETF | exchange-traded fund |
| EU | European Union |
| EUR | euro |
| EURIBOR | Euro Interbank Offered Rate |
| ESR | environmental and social risk |
| EVE | economic value of equity |
| EY | Ernst & Young Ltd |

**F**

| | |
|---|---|
| FA | financial advisor |
| FCA | UK Financial Conduct Authority |
| FCT | foreign currency translation |
| FINMA | Swiss Financial Market Supervisory Authority |
| FMIA | Swiss Financial Market Infrastructure Act |

## Abbreviations frequently used in our financial reports (continued)

| | |
|---|---|
| FSB | Financial Stability Board |
| FTA | Swiss Federal Tax Administration |
| FVA | funding valuation adjustment |
| FVOCI | fair value through other comprehensive income |
| FVTPL | fair value through profit or loss |
| FX | foreign exchange |
| **G** | |
| GAAP | generally accepted accounting principles |
| GCRG | Group Compliance, Regulatory & Governance |
| GBP | pound sterling |
| GDP | gross domestic product |
| GEB | Group Executive Board |
| GHG | greenhouse gas |
| GIA | Group Internal Audit |
| GMD | Group Managing Director |
| GRI | Global Reporting Initiative |
| G-SIB | global systemically important bank |
| **H** | |
| Hong Kong SAR | Hong Kong Special Administrative Region of the People's Republic of China |
| HQLA | high-quality liquid assets |
| **I** | |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IBOR | interbank offered rate |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| IRB | internal ratings-based |
| IRRBB | interest rate risk in the banking book |
| ISDA | International Swaps and Derivatives Association |
| ISIN | International Securities Identification Number |
| **K** | |
| KRT | Key Risk Taker |
| **L** | |
| LAS | liquidity-adjusted stress |
| LCR | liquidity coverage ratio |
| LGD | loss given default |
| LIBOR | London Interbank Offered Rate |
| LLC | limited liability company |
| LoD | lines of defense |
| LRD | leverage ratio denominator |
| LTIP | Long-Term Incentive Plan |
| LTV | loan-to-value |
| **M** | |
| M&A | mergers and acquisitions |
| MiFID II | Markets in Financial Instruments Directive II |
| MRT | Material Risk Taker |
| **N** | |
| NAV | net asset value |
| NII | net interest income |
| NSFR | net stable funding ratio |
| NYSE | New York Stock Exchange |
| **O** | |
| OCA | own credit adjustment |
| OCI | other comprehensive income |
| ORF | operational risk framework |
| OTC | over-the-counter |
| **P** | |
| PD | probability of default |
| PIT | point in time |
| P&L | profit or loss |
| POCI | purchased or originated credit-impaired |
| PRA | UK Prudential Regulation Authority |
| PRV | positive replacement value |
| **R** | |
| RBA | role-based allowance |
| RBC | risk-based capital |
| RbM | risk-based monitoring |
| REIT | real estate investment trust |
| RMBS | residential mortgage-backed securities |
| RniV | risks not in VaR |
| RoCET1 | return on CET1 capital |
| RoTE | return on tangible equity |
| RoU | right-of-use |
| rTSR | relative total shareholder return |
| RWA | risk-weighted assets |

## Abbreviations frequently used in our financial reports (continued)

**S**

| | |
|---|---|
| SA | standardized approach |
| SA-CCR | standardized approach for counterparty credit risk |
| SAR | stock appreciation right or Special Administrative Region |
| SBC | Swiss Bank Corporation |
| SDG | Sustainable Development Goal |
| SE | structured entity |
| SEC | US Securities and Exchange Commission |
| SEEOP | Senior Executive Equity Ownership Plan |
| SFT | securities financing transaction |
| SI | sustainable investing or sustainable investments |
| SIBOR | Singapore Interbank Offered Rate |
| SICR | significant increase in credit risk |
| SIX | SIX Swiss Exchange |
| SME | small and medium-sized entities |
| SMF | Senior Management Function |
| SNB | Swiss National Bank |
| SOR | Singapore Swap Offer Rate |
| SPPI | solely payments of principal and interest |
| SRB | systemically relevant bank |
| SRM | specific risk measure |
| SVaR | stressed value-at-risk |

**T**

| | |
|---|---|
| TBTF | too big to fail |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TIBOR | Tokyo Interbank Offered Rate |
| TLAC | total loss-absorbing capacity |

**U**

| | |
|---|---|
| UoM | units of measure |
| USD | US dollar |

**V**

| | |
|---|---|
| VaR | value-at-risk |
| VAT | value added tax |

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

# Information sources

## Reporting publications

### Annual publications

*Annual Report (SAP No. 80531):* Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, capital and funding, and balance sheet management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.
*Geschäftsbericht (SAP No. 80531):* This publication provides a translation into German of selected sections of our Annual Report.
*Annual Review (SAP No. 80530):* This booklet contains key information about our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian.
*Compensation Report (SAP No. 82307):* This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

### Quarterly publications

The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

### How to order publications

The annual and quarterly publications are available in .pdf format at *ubs.com/investors*, under "Financial information," and printed copies can be requested from UBS free of charge. For annual publications, refer to the "Investor services" section at *ubs.com/investors.* Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK–AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## Other information

### Website

The "Investor Relations" website at *ubs.com/investors* provides the following information about UBS: news releases; financial information, including results-related filings with the US Securities and Exchange Commission (the SEC); information for shareholders, including UBS share price charts, as well as data and dividend information, and for bondholders; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information is available online in English, with some information also available in German.

### Results presentations

Our quarterly results presentations are webcast live. Playbacks of most presentations can be downloaded from *ubs.com/presentations*.

### Messaging service

Email alerts to news about UBS can be subscribed for under "UBS News Alert" at *ubs.com/global/en/investor-relations/contact/investor-services.html*. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

### Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (the SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website: *sec.gov*. Refer to *ubs.com/investors* for more information.

**Cautionary Statement Regarding Forward-Looking Statements |** This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS's judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. Russia's invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. Russia's invasion of Ukraine already has caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects to the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. The COVID-19 pandemic and the measures taken to manage it have had and may also continue to have a significant adverse effect on global and regional economic activity, including disruptions to global supply chains, inflationary pressures, and labor market displacements. Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and increasing geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties, as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) UBS's ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, or other external developments; (viii) UBS's ability to maintain and improve its systems and controls for complying with sanctions and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's cross-border banking business of sanctions, tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, data leakage and systems failures, the risk of which is increased with cyberattack threats from nation states and while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards; and (xxii) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2021. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

**Rounding |** Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes disclosed in text and tables are calculated on the basis of unrounded figures. Absolute changes between reporting periods disclosed in the text, which can be derived from numbers presented in related tables, are calculated on a rounded basis.

**Tables |** Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

UBS Group AG
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UBS

Exhibit 1.01

# Articles of Association UBS Group AG (UBS Group SA) (UBS Group Inc.)

8 April 2021

The present text is a translation of the original German Articles of Association ("Statuten") which constitute the definitive text and are binding in law.

In these Articles of Association, references to the generic masculine equally apply to both sexes.

# Contents

# Section 1
## Name, registered office, business object and duration of the Corporation

**Article 1**

**Name and registered office**

A corporation limited by shares under the name of UBS Group AG / UBS Group SA / UBS Group Inc. is established with its registered office in Zurich.

**Article 2**

**Purpose**

[1] The purpose of the Corporation is to acquire, hold, manage and sell direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad.
[2] The Corporation may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these enterprises, and conduct their management.
[3] The Corporation is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad.
[4] The Corporation may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets.

**Article 3**

**Duration**

The duration of the Corporation shall not be limited by time.

# Section 2
## Share capital

**Article 4**

**Share capital**

[1] The share capital of the Corporation is CHF 370,242,299.50, divided into 3,702,422,995 registered shares with a par value of CHF 0.10 each. The share capital is fully paid up.
[2] Registered shares may be converted into bearer shares and bearer shares into registered shares by resolution of the General Meeting.

**Article 4a**

**Conditional capital**

[1] The share capital may be increased by a maximum of CHF 12,170,583.00 through the issuance of a maximum of 121,705,830 fully paid registered shares with a par value of CHF 0.10 each upon exercise of employee options issued to employees and members of the management and of the Board of Directors of the Corporation and its subsidiaries. The preemptive rights and the advance subscription rights of the shareholders shall be excluded. The
issuance of these options to employees and members of the management and of the Board of Directors of the Corporation and its subsidiaries will take place in accordance with the plan rules issued by the Board of Directors and its compensation committee. The acquisition of shares through the exercise of option rights as well as every subsequent transfer of these shares shall be subject to the registration requirements set forth in Article 5 of the Articles of Association.

[2] The share capital may be increased in an amount not to exceed CHF 38,000,000 by the issuance of up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the issuance of bonds or similar financial instruments by the Corporation or one of its Group companies on national or international capital markets. The pre-emptive rights of the shareholders shall be excluded. The then current owners of conversion rights and/or warrants
shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors.
The acquisition of shares through voluntary or mandatory exercise of conversion rights and/or warrants, as well as each subsequent transfer of the shares, shall be subject to the registration requirements set forth in Article 5 of the Articles of Association.
In connection with the issuance of convertible bonds or bonds with warrants or similar financial instruments, the Board of Directors shall be authorized to restrict or exclude the advance subscription rights of shareholders if such instruments are issued (i) on national or international capital markets or (ii) to one or more financial investors. If the advance subscription rights are restricted or excluded by the Board of Directors, the following shall apply: the issuance of such instrument shall be made at prevailing market conditions, and the new shares shall be issued pursuant to the relevant conditions of that financial instrument. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance. The issuance of the new shares upon voluntary or mandatory exercise of conversion rights and/or warrants shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of the issuance of the relevant
financial instrument.

## Article 5

**Share register and nominees**

[1] A share register is maintained for the registered shares, in which owners' and usufructuaries' family and given names are entered, with their complete address and nationality (or registered office for legal entities). Shares held in joint accounts may be registered jointly with voting rights, if all registered owners of the shares provide the declaration requested in paragraph 3 below.
[2] If the mailing address of a shareholder changes, the new address must be communicated to the Corporation. As long as this has not been done, all written communications will be sent to the address entered in the share register, this being valid according to the requirements of the law.
[3] Those who acquire registered shares shall be entered in the share register as shareholders with voting rights if they expressly declare that they acquired these registered shares in their own names and for their own account. If the party acquiring the shares is not prepared to provide such a declaration, the Board of Directors may refuse to allow the shares to be entered with voting rights.
[4] The restriction on registration under paragraph 3 above also applies to shares acquired by the exercise of preemptive, option or conversion rights.
[5] The Board of Directors is authorized, after hearing the position of the registered shareholder or nominee affected, to strike the entry of a shareholder with voting rights from the share register retroactively with effect to the date of the entry, if it was obtained under false pretenses. The party affected must be informed of the action immediately.
[6] The Board of Directors formulates general principles relating to the registration of fiduciaries/nominees and issues the necessary regulations to ensure compliance with the above provisions.

## Article 6

**Form of shares**

[1] Registered shares of the Corporation will be, subject to paragraph 2, in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Intermediated Securities Act).

[2] Following his registration in the share register, the shareholder may request the Corporation to issue a written statement in respect of his registered shares at any time; however, he has no entitlement to the printing and delivery of share certificates. In contrast, the Corporation may print and deliver share certificates for registered shares (single certificates, certificates representing multiples of shares or global certificates) at any time. It may withdraw registered shares issued as intermediary-held securities from the respective custody system. With the consent of the shareholder, the Corporation may cancel issued certificates which are returned to it without replacement.

## Article 7

**Exercise of rights**

[1] The Corporation recognizes only one representative per share.

[2] Voting rights and associated rights may only be exercised in relation to the Corporation by a party entered in the share register as having the right to vote.

# Section 3
# Corporate bodies

## A. General Meeting

**Article 8**

**Authority**

The General Meeting is the Corporation's supreme corporate body.

**Article 9**

**Types of General Meetings**
**a. Annual General Meeting**

The Annual General Meeting takes place every year within six months after the close of the financial year; the annual report, the compensation report and the reports of the Auditors must be available for inspection by shareholders at the Corporation's registered office at least twenty days before the meeting.

**Article 10**

**b. Extraordinary General Meetings**

1 Extraordinary General Meetings are convened whenever the Board of Directors or the Auditors consider it necessary.
2 Such a meeting must also be convened upon a resolution of the General Meeting or a written request from one or more shareholders representing together at least one tenth of the share capital, specifying the items to be included on the agenda and the proposals to be put forward.

**Article 11**

**Convening**

1 The General Meeting shall be called by the Board of Directors or, if need be, by the Auditors at least twenty days before the meeting is to take place. The meeting is called by publishing a single notice in the publication of record designated by the Corporation. An invitation will be sent to all registered shareholders.
2 The notice to convene the General Meeting shall specify the agenda with the proposals of the Board of Directors and proposals from shareholders and, in the event of elections, the names of the proposed candidates.

**Article 12**

**Placing of items on the agenda**

[1] Shareholders representing shares with an aggregate par value of CHF 62,500 may submit proposals for matters to be placed on the agenda for consideration by the General Meeting, provided that their proposals are submitted in writing within the deadline published by the Corporation and include the actual motion(s) to be put forward.
[2] No resolutions may be passed concerning matters which have not been duly placed on the agenda, except on a motion put forward at the General Meeting to call an Extraordinary General Meeting or a motion for a special audit to be carried out.

**Article 13**

**Chairmanship, tellers, minutes**

[1] The Chairman of the Board of Directors or, if the Chairman cannot attend, a Vice Chairman or another member designated by the Board of Directors, shall preside over the General Meeting and appoint a secretary and the necessary tellers.
[2] Minutes are kept of the proceedings and must be signed by the presiding chair of the meeting and the secretary.

**Article 14**

**Shareholder proxies**

[1] The Board of Directors issues procedural rules for participation and representation of shareholders at the General Meeting, including the requirements as to powers of attorney.
[2] A shareholder may only be represented at the General Meeting by his legal representative, under a written power of attorney by another shareholder eligible to vote or, under a written or electronic power of attorney, by the Independent Proxy.
[3] The presiding chair of the meeting decides whether to recognize the power of attorney.

**Article 15**

**Independent Proxy**

[1] The Independent Proxy shall be elected by the General Meeting for a term of office expiring after completion of the next Annual General Meeting.
[2] Re-election is permitted.
[3] If the Corporation does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting.

**Article 16**

**Voting right**

Each share conveys the right to cast one vote.

**Article 17**

**Resolutions, elections**

[1] Resolutions and elections are decided at the General Meeting by an absolute majority of the votes cast, excluding blank and invalid ballots, subject to these Articles of Association and the compulsory provisions of the law.
[2] A resolution to change Article 19 of the Articles of Association, to remove one fourth or more of the members of the Board of Directors or to delete or modify Article 17 paragraph 2 of the Articles of Association must receive at least two thirds of the votes represented.
[3] The presiding chair of the meeting shall decide whether voting on resolutions and elections be conducted electronically, by a show of hands or by a written ballot. Shareholders representing at least 3% of the votes represented may always request that a vote or election take place electronically or by a written ballot.
[4] In the case of a written ballot, the presiding chair of the meeting may rule that only the ballots of those shareholders shall be collected who choose to abstain or to cast a negative vote, and that all other shares represented at the General Meeting at the time of the vote shall be counted in favor, in order to expedite the counting of the votes.
[5] The presiding chair of the meeting may order that a resolution or election be repeated if, in his view, the results of the vote are in doubt. In this case, the preceding resolution or election shall be deemed to have not occurred.

**Article 18**

**Powers**

The General Meeting has the following powers:

a) To establish and amend the Articles of Association
b) To elect the members and the Chairman of the Board of Directors and the members of the compensation committee
c) To elect the Auditors
d) To elect the Independent Proxy
e) To approve the management report and the Group financial statements

f) To approve the financial statements and to decide upon the appropriation of the net profit shown in the balance sheet
g) To approve the compensation for the Board of Directors and the Group Executive Board pursuant to Article 43 of the Articles of Association
h) To give the members of the Board of Directors and of the Group Executive Board a discharge
i) To take decisions on all matters reserved to the General Meeting by law or by the Articles of Association, or which are placed before it by the Board of Directors.

# B. Board of Directors

**Number of Board members**

**Article 19**
The Board of Directors shall consist of at least six and no more than twelve members.

**Term of office**

**Article 20**
[1] The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting.
[2] Members whose term of office has expired are immediately eligible for re-election.

**Organization**

**Article 21**
[1] Except for the election of the Chairman and the members of the compensation committee by the General Meeting, the Board of Directors shall constitute itself. It shall elect at least one Vice Chairman and a Senior Independent Director from among its members.
[2] The Board of Directors shall appoint its secretary, who need not be a member of the Board.
[3] If the office of the Chairman is vacant, the Board of Directors shall appoint a new Chairman from among its members for the remaining term of office.

**Convening, participation**

**Article 22**
[1] The Chairman shall convene the Board of Directors as often as business requires, but at least six times a year.
[2] The Board of Directors shall also be convened if one of its members or the Group Chief Executive Officer submits a written request to the Chairman to hold such a meeting.

**Decisions**

**Article 23**
[1] Decisions of the Board of Directors are taken by an absolute majority of the votes present. In case of a tie, the presiding chair of the meeting shall cast the deciding vote.
[2] The number of members who must be present to constitute a quorum and the modalities for the passing of resolutions shall be laid down by the Board of Directors in the
Organization Regulations. No such quorum is required for decisions confirming and amending resolutions relating to capital increases.

### Article 24

**Duties and powers**

[1] The Board of Directors has ultimate responsibility for the management of the Corporation and the supervision and control of its executive management.
[2] The Board of Directors may also take decisions on all matters which are not expressly reserved to the General Meeting or to another corporate body by law or by the Articles of Association.

### Article 25

**Ultimate responsibility for the management of the Corporation**

The ultimate responsibility for the management of the Corporation comprises in particular:

a) Preparing of and deciding on proposals to be placed before the General Meeting
b) Issuing the regulations necessary for the conduct of business and for the delineation of authority, in particular the Organization Regulations and the regulations governing the Group Internal Audit
c) Laying down the principles for the accounting, financial and risk controls and financial planning, in particular the allocation of equity resources and risk capital for business operations
d) Decisions on Group strategy and other matters reserved to the Board of Directors under the Organization Regulations
e) Appointment and removal of (i) the Group Chief Executive Officer, (ii) such other members of the Group Executive Board as the Organization Regulations require to be appointed by the Board of Directors and (iii) the Head of Group Internal Audit
f) Decisions on increasing the share capital, to the extent this falls within the authority of the Board of Directors (Article 651 paragraph 4 of the Swiss Code of Obligations), on the report concerning an increase in capital (Article 652e of the Swiss Code of Obligations) and on the ascertainment of capital increases and the corresponding amendments to the Articles of Association.

**Article 26**

**Supervision, control**

Supervision and control of the business management comprises in particular the following:

a) Review of the management report, Group and parent company financial statements, the compensation report as well as quarterly financial statements
b) Acceptance of regular reports covering the course of business and the position of the Group, the status and development of country, counterparty and market risks and the extent to which equity and risk capital are tied up due to business operations
c) Consideration of reports prepared by the Auditors.

**Article 27**

**Delegation, Organization Regulations**

The Board of Directors may delegate part of its authority to one or more of its members or to third parties, subject to Articles 25 and 26 of the Articles of Association. The allocation of authority and functions shall be defined in the Organization Regulations.

**Article 28**

**Number of members, term of office and organization of the compensation committee**

1 The compensation committee shall consist of at least three members of the Board of Directors.
2 The compensation committee shall organize itself within the limits of the law and of the Articles of Association. The Board of Directors shall appoint a chairperson.
3 If there are vacancies on the compensation committee, the Board of Directors shall appoint the missing members from among its members for the remaining term of office.

**Article 29**

**Duties and powers of the compensation committee**

1 The compensation committee supports the Board of Directors in establishing and reviewing the Corporation's compensation strategy and guidelines and in articulating the performance criteria relevant for determining individual total compensation for each member of the Group Executive Board. The compensation committee also prepares the proposals to the General Meeting regarding the compensation of the Board of Directors and of the Group Executive Board and may submit proposals to the Board of Directors on
other compensation-related issues.

[2] The Board of Directors shall determine, and codify in the Organization Regulations, for which functions of the Group Executive Board the compensation committee shall establish and review financial and non-financial performance targets and assess the performance against these targets to determine compensation recommendations for the members of the Group Executive Board. In accordance with the Organization Regulations, these recommendations shall be presented to the Board of Directors for review or approval, subject to the approval by the General Meeting as set out in Article 43 of the Articles of Association. The compensation committee shall, in accordance with the Organization Regulations, also submit a proposal for the compensation for the members of the Board of Directors to the Board of Directors, subject to the approval by the General Meeting as set out in Article 43 of the Articles of Association.
[3] The Board of Directors may delegate further tasks to the compensation committee which shall be determined in the Organization Regulations approved by the Board of Directors.

**Article 30**

**Signatures**

The due and valid representation of the Corporation by members of the Board of Directors or further persons shall be determined in the Organization Regulations and a specific directive.

**Article 31**

**Mandates**

[1] No member of the Board of Directors may hold more than four additional mandates in listed companies and five additional mandates in non-listed companies.
[2] The following mandates are not subject to the limitations set forth in paragraph 1:

a) Mandates in companies which are controlled by the Corporation or which control the Corporation
b) Mandates held at the request of the Corporation or companies controlled by it. No member of the Board of Directors shall hold more than ten such mandates

c) Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than ten such mandates.

[3] Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

**Article 32**

**Terms of agreements relating to compensation**

The Corporation or companies controlled by it may enter into agreements for a fixed term with members of the Board of Directors relating to their compensation. Duration and termination shall comply with the term of office and the law.

**Article 33**

**Loans**

Loans to the independent members of the Board of Directors shall be made in accordance with the customary business and market conditions. Loans to the non-independent members of the Board of Directors shall be made in the ordinary course of business on substantially the same terms as those granted to employees of the Corporation or companies controlled by it. The total amount of such loans shall not exceed CHF 20,000,000 per member.

# C. Group Executive Board

**Article 34**

**Organization**

The Group Executive Board is composed of the Group Chief Executive Officer and at least three other members as further set forth in the Organization Regulations.

**Article 35**

**Functions, authorities**

[1] The Group Executive Board acting under the leadership of the Group Chief Executive Officer is responsible for the management of the Group. It is the supreme executive body as defined by the Swiss Federal Law on Banks and Savings Banks. It implements the Group strategy decided by the Board of Directors and ensures the execution of the decisions of the Board of Directors. It is responsible for the Group's results.
[2] The responsibilities and authorities of the Group Executive Board and other management units designated by the Board of Directors are set forth in the Organization Regulations.

**Article 36**

**Mandates**

[1] No member of the Group Executive Board may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies, subject to approval by the Board of Directors.
[2] The following mandates are not subject to the limitations set forth in paragraph 1:

a) Mandates in companies which are controlled by the Corporation or which control the Corporation
b) Mandates held at the request of the Corporation or companies controlled by it. No member of the Group Executive Board shall hold more than ten such mandates
c) Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Group Executive Board shall hold more than eight such mandates.

[3] Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

### Article 37

**Employment contract terms**

[1] The term of employment contracts with the members of the Group Executive Board may be unlimited with a notice period of up to twelve months or may be fixed with a term of up to one year.

[2] The Corporation or companies controlled by it may enter into non-compete agreements with the members of the Group Executive Board for the time after termination of the employment agreement for a duration of up to one year. The respective consideration shall not exceed the total compensation paid or granted to such member of the Group Executive Board for the last full financial year prior to termination.

### Article 38

**Loans**

Loans to the members of the Group Executive Board shall be made in the ordinary course of business on substantially the same terms as those granted to employees of the Corporation or companies controlled by it. The total amount of such loans shall not exceed CHF 20,000,000 per member.

# D. Auditors

**Term of office, authority and duties**

**Article 39**

[1] An auditing company subject to governmental supervision as required by law is to be appointed as Auditors.

[2] The General Meeting shall elect the Auditors for a term of office of one year. The rights and duties of the Auditors are determined by the provisions of the law.

[3] The General Meeting may appoint Special Auditors for a term of three years, who provide the attestations required for capital increases.

# Section 4
## Financial statements and appropriation of profit, reserves

**Article 40**

**Financial year**

The financial statements and the Group financial statements are closed on 31 December of each year.

**Article 41**

**Appropriation of disposable profit**

1 At least 5% of the profit for the year is allocated to the general statutory reserve until such time as said reserve amounts to 20% of the share capital.
2 The remaining profit is, subject to the provisions of the Swiss Code of Obligations and of the Swiss Federal Banking Act, at the disposal of the General Meeting who may also use it for the formation of free or special reserves.

**Article 42**

**Reserves**

The General Meeting determines the utilization of the general statutory reserve in accordance with the legal provisions acting upon the proposal of the Board of Directors.

# Section 5
## Compensation of the members of the Board of Directors and the Group Executive Board

**Article 43**

**Approval of the compensation of the Board of Directors and the Group Executive Board**

1 The General Meeting shall approve the proposals of the Board of Directors in relation to:

a) The maximum aggregate amount of compensation of the Board of Directors for the period until the next Annual General Meeting
b) The maximum aggregate amount of fixed compensation of the Group Executive Board for the following financial year
c) The aggregate amount of variable compensation of the Group Executive Board for the preceding financial year.

2 The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.
3 In the event the General Meeting does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting.
4 The Corporation or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

**Article 44**

**General compensation principles**

1 The compensation system of the Corporation is designed to align reward with sustainable performance and to support appropriate and controlled risk-taking.
2 When determining individual compensation, the Board of Directors or, where delegated to it, the compensation committee takes into account position and level of responsibility of the recipient and performance of the Corporation and companies controlled by it. It ensures compliance with applicable regulatory requirements.
3 Compensation may be paid or granted in the form of cash, shares, financial instruments or units, in kind, or in the form of benefits. The Board of Directors or, where delegated to it, the compensation committee determines the key features, such as grant, vesting, exercise and forfeiture conditions and applicable harmful acts provisions. The Board of Directors, or where delegated to it, the compensation committee may provide, among other things, for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of predetermined events such as a change-of-control or termination of an employment or mandate agreement. The Corporation or companies controlled by it may procure any shares required to meet any resulting payment obligations through purchases in the market or, to the extent available, by using the Corporation's conditional share capital.
4 Compensation may be paid or granted by the Corporation or companies controlled by it.

## Article 45

**Compensation of the Board of Directors**

1 Compensation of the members of the Board of Directors shall comprise a base remuneration and may comprise other compensation elements and benefits.
2 Compensation of the members of the Board of Directors is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals and to ensure alignment with shareholders' interest.

## Article 46

**Compensation of the Group Executive Board**

1 Compensation of the members of the Group Executive Board shall comprise fixed and variable compensation elements.
2 Fixed compensation shall comprise the base salary and may comprise other compensation elements and benefits.
3 Variable compensation elements shall be governed by financial and non-financial performance measures that take into account the performance of the Corporation and/or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives and/or individual targets. The Board of Directors or, where delegated to it, the compensation committee determines the respective performance measures, the overall and individual performance targets, and their achievements.
4 The Board of Directors or, where delegated to it, the compensation committee aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation shall be subject to a multi-year vesting period.

[5] If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person who becomes a member of or is being promoted within the Group Executive Board after the General Meeting has approved the compensation, the Corporation or companies controlled by it shall be authorized to pay or grant each such Group Executive Board member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period shall not exceed 40% of the average of total annual compensation paid or granted to the Group Executive Board during the previous three years.

# Section 6
## Notices and jurisdiction

### Article 47

**Official publication media**

Public notices appear in the Swiss Official Gazette of Commerce (in French "Feuille Officielle Suisse du Commerce", or German "Schweizerisches Handelsamtsblatt"). The Board of Directors may designate other publications as well.

### Article 48

**Jurisdiction**

Jurisdiction for any disputes arising out of the corporate relationship shall solely be at the registered office of the Corporation.

# Section 7
## Disclosure of contributions in kind

### Article 49

**Contribution in kind**

[1] In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 3,183,370,731 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 32,718,731,974.95. In return, the Corporation has issued 3,183,370,731 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

[2] In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, U.S., acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 201,494,824 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 2,070,966,814.07. In return, the Corporation has issued 201,494,824 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

[3] In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind in its own name and in relation to shares tendered during the initial offer period in the course of the public exchange offer of the Corporation, 90,490,886 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 1,533,820,517.70. In return, the Corporation has issued, on a one-to-one basis, 90,490,886 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

[4] In connection with the capital increase dated 16 December 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who (i) have tendered their shares in the course of the public exchange offer of the Corporation or (ii) have offered their registered shares for a private exchange under the terms of this public exchange offer, 229,042,914 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 2,244,527,510.81. In return, the Corporation has issued, on a one-to-one basis, 229,042,914 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.
[5] In connection with the capital increase dated 16 December 2014, the Corporation acquires from UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, U.S., acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 12,510,852 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 122,601,267.19. In return, the Corporation has issued, on a one-to-one basis, 12,510,852 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.
[6] In connection with the capital increase dated 10 February 2015, the Corporation acquires from UBS AG, Zurich and Basel, 11,800,250 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 130,476,501.09. In return, the Corporation has issued 11,800,250 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.
[7] In connection with the capital increase dated 9 March 2015, the Corporation acquires from UBS AG, Zurich and Basel, 9,525,000 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 104,986,854.19. In return, the Corporation has issued, on a one-to-one basis, 9,525,000 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

[8] In connection with the capital increase dated 12 June 2015, the Corporation acquires from UBS AG, Zurich and Basel, 17,500,000 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 199,898,088.25. In return, the Corporation has issued, on a one-to-one basis, 17,500,000 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.
[9] In connection with the capital increase dated 28 August 2015, the Corporation acquires from UBS AG, Zurich and Basel, 88,825,456 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 968,693,952.29. In return, the Corporation has issued, on a one-to-one basis, 88,825,456 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

UBS Group AG
P.O. Box, CH-8098 Zurich

www.ubs.com

Exhibit 1.03

UBS

# Organization Regulations

of UBS Group AG

**Valid as of 14 February 2022**

# Contents

# Abbreviations and definitions

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

| | |
|---|---|
| **AC** | Audit Committee |
| **Affiliated person** | Person who directly or indirectly through one or more intermediaries controls or is controlled by or is under common control of UBS Group AG |
| **AGM** | Annual General Meeting of the shareholders |
| **ALM Authorities** | Asset and Liability Management Authorities – internal document setting out the high-level delegated authorities within the Group for asset and liability management |
| **AoA** | Articles of Association of UBS Group AG |
| **BD(s)** | Business division(s), organizational units of the business: (i) Global Wealth Management, (ii) Personal & Corporate Banking, (iii) Asset Management and (iv) the Investment Bank |
| **Board/BoD** | Board of Directors of UBS Group AG; non-executive Board members who do not perform management functions within UBS Group AG |
| **Business Regulations** | Regulations issued by the BDs or GF |
| **CompCo** | Compensation Committee |
| **CCRC** | Corporate Culture and Responsibility Committee |
| **Chairman** | Chairman of the Board |
| **Chairpersons** | Board members who chair the Committees |
| **CO** | Swiss Code of Obligations |
| **Committees** | Committees of the Board as set out in section 2.1 |
| **Committees' charter** | Charter of the Committees of the Board setting out the objectives, composition, authorities and responsibilities of the permanent Committees |
| **Corporate Bodies** | The Board and bodies of the Group exercising delegated Board functions, such as the Committees, the GEB, committees established by the GEB, Group IA or other bodies mentioned herein |
| **Divisional President / DP** | Divisional Presidents are the heads of the respective BDs, as set out in section 23 and in the respective Business Regulations |
| **EGM** | Extraordinary General Meeting of the shareholders |
| **EMEA** | Europe, the Middle East and Africa |
| **Financial statements** | Quarterly and annual financial statements including, among others, the disclosure under "Management's Discussion and Analysis" and the 6K Report to the Securities and Exchange Commission and any formal announcements relating to the Group's performance |
| **FINMA** | Swiss Financial Market Supervisory Authority |
| **GCRG** | Group Compliance, Regulatory & Governance |
| **GEB** | Group Executive Board |
| **GNC** | Governance and Nominating Committee |
| **Group ALCO** | Group Asset and Liability Committee |
| **Group CCGO** | Group Chief Compliance and Governance Officer |
| **Group CDIO** | Group Chief Digital and Information Officer |
| **Group CEO** | Group Chief Executive Officer |
| **Group CFO** | Group Chief Financial Officer |
| **Group Company Secretary** | Company Secretary of the Board |
| **Group CRO** | Group Chief Risk Officer |
| **Group Functional Head / GFH** | Group CFO, Group CDIO, Group CRO, Group GC, Group CCGO and Group CEO (as related to the responsibilities for the Group CEO Functions as outlined in section 16.4) |
| **GF** | Group Functions, which comprises the functions headed by the Group CEO, the Group CFO, the Group CDIO, the Group CRO, the Group GC and the Group CCGO |

| | |
|---|---|
| **Group GC** | Group General Counsel |

| | |
|---|---|
| **Group IA** | Group Internal Audit |
| **HR** | Human Resources |
| **ICAAP** | Internal Capital Adequacy Assessment Process |
| **MD** | Managing Director |
| **ORs** | Organization Regulations of UBS Group AG including annexes |
| **Other UBS Entities** | UBS Entities which are neither Significant Group Entities nor Significant Regional Entities |
| **RC** | Risk Committee |
| **Regional President / RP** | Regional Presidents as set out in section 22 and in the RP terms of reference |
| **Risk Authorities** | Internal document setting out the high-level delegated authorities within the Group for risk management and control |
| **Shareholders** | Shareholders of UBS Group AG |
| **SID** | The Senior Independent Director of the Board as set out in section 11 |
| **Significant Branches** | Branches of UBS Entities subject to enhanced standards of corporate governance as designated by the Group CEO |
| **Significant Group Entities / SGEs** | Significant subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the GNC |
| **Significant Regional Entities / SREs** | Subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the Group CEO |
| **SOX** | Sarbanes–Oxley Act |
| **Stakeholders** | Persons, groups or organizations that have a direct or indirect stake in the Group and may, as a result, affect or be affected by the Group's actions, objectives and policies |
| **UBS/Group** | UBS Group AG and its subsidiaries; the UBS group of companies |
| **UBS Entities** | All subsidiaries (excluding Special Purpose Entities) which are either wholly or majority, directly or indirectly owned or otherwise controlled by UBS Group AG and which are intended to be held indefinitely |
| **UBS Group AG** | UBS Group AG, the listed parent company of the Group |
| **Vice Chairman** | The Vice Chairman of the Board as set out in section 11 |

# Preamble by the Chairman

UBS draws on its more than 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Our shareholders, employees, clients and other interest groups hold high expectations of how we conduct our business. Good governance policies and processes are thereby an important foundation and, together with the strong values we have defined, are at the heart of UBS's culture. UBS and its employees apply the highest standards of business ethics and personal integrity to all of our business dealings and interactions.

The Organization Regulations constitute the Group's primary corporate governance guidelines establishing a corporate governance structure for UBS Group AG and its subsidiaries. These Organization Regulations have been approved by the Board of UBS Group AG, they comply with all relevant corporate governance requirements but are not intended in any way to be a substitute for mandatory provisions of law, rules or regulations applicable to the Group.

In the interest of transparency, the Organization Regulations are published on our website.

Axel A. Weber

# Introduction

## 1 Basis and purpose

**1.1 Basis**

These ORs are enacted by the Board of UBS Group AG pursuant to article 716b of the CO and articles 25 and 27 of the AoA.

**1.2 Purpose**

The purpose of these ORs is:
(i) to implement and supplement requirements contained in applicable laws, stock exchange regulations, supervisory regulations and the AoA having regard to pertinent codes of best practice. In addition, these ORs constitute the corporate governance guidelines required by the New York Stock Exchange;
(ii) to define the functions, responsibilities and authorities of UBS Group AG's and the Group's Corporate Bodies and their members; and
(iii) to establish a coherent and efficient corporate governance structure by constituting the Group's primary governance guidelines to be applied to all direct and indirect subsidiaries of UBS Group AG and which supersede any other regulations and shall prevail in case of a conflict with such documents, subject to local law.

Mandatory provisions of applicable laws, rules and regulations or rules contained in the AoA take precedence over the ORs.

## 2 Organization of the Group

**2.1 Organization in general**

The Group and its business are organized as follows:
(i) The Board, under the leadership of the Chairman, has the ultimate responsibility for the direction, supervision and control of the Group, and performs the other duties described herein or as prescribed by mandatory provisions of law. The Board is responsible for deciding all matters and taking business decisions where such decisions exceed the authority delegated by the Board to the Committees, the GEB or the Group CEO.
(ii) As provided by mandatory law, rules and regulations, the AoA or these ORs, the executive management of the Group is delegated to the GEB under the leadership of the Group CEO.
(iii) The following permanent Committees assist the Board in the performance of its responsibilities:
   (a) the Audit Committee;
   (b) the Compensation Committee;
   (c) the Corporate Culture and Responsibility Committee;
   (d) the Governance and Nominating Committee; and
   (e) the Risk Committee.

**2.2 Group steering**

UBS Group AG, as the listed parent company of the Group, controls directly or indirectly all subsidiaries and leads the Group by setting a harmonized strategic direction. It further sets principles and organizational structures to enable efficient and coordinated management of the Group and control of its subsidiaries.

Notwithstanding these endeavors, the legal independence of all subsidiaries, including formal decision-making by the Corporate Bodies of the respective entities as required under applicable constitutional documents, and the provisions of applicable local laws, rules and regulations relating to them, must be observed to the extent legally required.

**2.3 Corporate culture**

Under the leadership of the Chairman and the Group CEO, the Board and the GEB issue a Code of Conduct and Ethics to foster a coherent and effective corporate and compliance culture for the Group.

**2.4 Organization of the Group's business**

The banking business and support operations are performed by UBS Group AG's direct or indirect subsidiaries within the scope of applicable licenses. The business of the Group is organized into:

(i) business divisions;
(ii) Group Functions; and
(iii) other structures as the Group CEO and the GEB consider appropriate for the effective management and supervision of the business.

This organization must be detailed in the Business Regulations.

**2.5 Transparency, collaboration and reporting within the Group**

Subject to and in accordance with applicable local laws, rules and regulations, Corporate Bodies are bound to ensure transparency and collaboration within the Group and may have additional responsibilities and reporting lines within the Group or within other legal entities of the Group.

# Board of Directors

## 3 Membership

**3.1 Election proposal**

In consultation with the Chairman, the GNC recommends candidates for election to the Board. The Board proposes such candidates for election by the shareholders.

**3.2 Independence of Board members**

The Board's proposal for election ensures that three-quarters of the Board members will be independent. For this purpose, independence is determined in accordance with:
(i) the FINMA circular 2017/1 "Corporate governance – banks"; and
(ii) the New York Stock Exchange rules.
Furthermore, there must be a sufficient number of Board members who meet the independence criteria for the Committee members set out in the annex "Charter of the Committees of the Board." The Chairman does not need to be independent.

**3.3 Notification duty**

Each Board member must notify the Chairman and the GNC immediately if circumstances change in a manner that may affect their independence.

**3.4 Expectations of the Board members**

The Board, as a group, must have the necessary qualifications, skills and diversity to perform all Board duties. In particular, the Board must together possess financial literacy, experience in banking and risk management, as well as international experience, including experience of international financial matters, and knowledge of the duties of directors.

Candidates for election to the Board shall be considered in light of their personal experience and abilities, including any specialist knowledge or skills required to fulfill specific Board functions as outlined herein, as well as their ability to contribute to building a complementary and effective Board.

## 4 Constitution

**4.1 Number of members**

The Board consists of six to twelve Board members as per article 19 of the AoA.

**4.2 Term of office**

The term of office for each Board member is one year pursuant to article 20 of the AoA. Subject to election by shareholders, Board members are normally expected to serve for a minimum of three years. No Board member may serve for more than 10 consecutive terms of office, in exceptional circumstances the Board can extend this limit.

**4.3 Constitutional meeting**

The Board constitutes itself at its first meeting following the AGM. In this meeting
(i) the Vice Chairmen;
(ii) the SID;
(iii) the Chairpersons of the Committees; and
(iv) the Committee members, with the exception of the Compensation Committee members,
are appointed by the Board.

The Board may remove these Board members from their special functions at any time.

## 5 Responsibilities and authorities

**5.1 In general**

In addition to mandatory provisions of law, rules, regulations and the AoA, the Board has the responsibilities and authorities set out in these ORs.

**5.2 Supervision**

The Board is responsible for the overall direction, supervision and control of the Group and its management, as well as for supervising compliance with applicable laws, rules and regulations. The Board exercises oversight over UBS Group AG and its subsidiaries and is responsible for ensuring the establishment of a clear Group governance framework to ensure effective steering and supervision of the Group taking into account the material risks to which the Group and its subsidiaries are exposed.

**5.3 Ultimate responsibility**

The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group's strategy and the necessary financial and human resources upon recommendation of the Group CEO and sets the Group's values and standards to ensure that its obligations to shareholders and other stakeholders are met.

**5.4 Strategy and financial success**

The Board's ultimate responsibility for strategy and financial success includes in particular:
(i) deciding the strategy of the Group upon recommendation of the Group CEO, taking into account the proposals and alternatives presented;
(ii) approving the risk management and control framework of the Group, including the overall risk appetite of the Group and BDs;
(iii) deciding whether the Group should enter substantial new business areas or exit an existing business area, in cases where the entry or exit is not covered by the current approved strategic framework; and
(iv) approving major acquisitions, mergers, disposals or capital expenditure, including decisions on major changes to the company and Group structure, major changes in Significant Group Entities, and other projects of strategic importance for the Group.

**5.5 Finance**

With respect to the ultimate responsibility for the financial situation, the Board has in particular the following duties:
(i) approving the applicable accounting standards and financial control frameworks, as well as significant changes to them;
(ii) annually reviewing and approving the three-year strategic plan and one-year operating plan of the Group, including the financial objectives and a capital allocation framework, as well as the capital and liquidity plans;
(iii) annually reviewing and approving the Group ICAAP;
(iv) reviewing and approving the annual financial statements of UBS Group AG; and
(v) reviewing and approving the consolidated annual and quarterly financial statements, as well as the consolidated annual report of the Group prior to its submission to the AGM.

**5.6 Organization**

The Board is responsible for establishing an appropriate business organization, including in particular:
(i) approving and regularly reviewing the governance principles and the management structures as set out herein;
(ii) appointing and removing GEB members, the Group Company Secretary and the Head Group IA and reviewing their performance;
(iii) overseeing the effectiveness of the business organization and management information system implemented by the GEB;
(iv) supervising the internal control system;
(v) approving the charter for Group IA and monitoring Group IA; and
(vi) approving the compensation and benefits principles of the Group.

**5.7 Meetings of shareholders**

The Board has a duty to convene AGMs and EGMs, prepare the agenda for such meetings and implement resolutions adopted by the shareholders.

**5.8 Loss of equity**

In case of financial difficulties or insufficient equity, the Board must undertake all steps required under applicable law.

**5.9 Delegation**

Within the limits of applicable law, regulations and the AoA, the Board may delegate part of its responsibilities and authorities to:
(i) the Committees;
(ii) individual Board members;
(iii) the GEB; and
(iv) individual GEB members.

**5.10 Advice from third parties**

The Board and the Committees may, in performing their duties, take advice from third parties.

# 6 Meetings

**6.1 Number of meetings**

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

**6.2 Convening meetings**

Board meetings are convened by the Chairman. Upon written request, including reasons, of any Board member or the Group CEO addressed to the Chairman, he shall convene a Board meeting in accordance with sections 6.3 and 6.4.

**6.3 Invitation**

The Chairman or, if absent, one of the Vice Chairmen invites the Board members to the Board meetings in writing (including by e-mail or other electronic means).

**6.4 Agenda and notice period**

The invitation contains the agenda and must be sent to Board members and other attendees as a rule at least five business days prior to the date of the Board meeting together with all necessary supporting material. In exceptional cases, supporting material may be sent later to allow the Board to receive the latest available information. This applies in particular to updates on financial data.

In time-critical cases (as determined at the Chairman's discretion), a Board meeting may be held and the supporting material may be sent at shorter notice.

**6.5 Chair**

Board meetings are chaired by the Chairman or, if absent, by one of the Vice Chairmen or, in their absence, by the SID or, in their absence, by another Board member selected by the Board members present.

**6.6 Attendees**

The Board may hold Board meetings as determined by the Chairman:
(i) with or without the participation of the Group CEO and all or some of the other GEB members; and
(ii) with the participation of other persons, who are invited to attend.

**6.7 Meetings of independent Board members**

At least twice a year, the SID holds a meeting of the independent Board members without the participation of the Chairman.

**6.8 Meeting format**

Board meetings may be held in person or by audio or video conference.

**6.9 Minutes of Board meetings**

The minutes (including the annexes as presented to the Board) contain all Board resolutions made and reflect in a general manner the considerations that led to the decisions made. Dissenting opinions of and votes cast by Board members must also be reflected in the minutes.

**6.10 Form of minutes, inspection rights**

The minutes must be signed by the Board member chairing the meeting (in accordance with section 6.5) and the Group Company Secretary and must be made available for review prior to the next Board meeting at which these shall be approved. Board members are entitled to examine the minutes of any Board meeting at any time.

# 7 Resolutions

**7.1 Quorum of attendance**

The presence of either the Chairman, one of the Vice Chairmen or the SID, as well as the majority of the Board members, is required to pass valid Board resolutions. If this quorum is not present, the Chairman can seek a circular resolution of the Board (see section 7.4). No such quorum is required for decisions confirming, implementing and amending resolutions relating to capital increases (article 23(2) of the AoA).

**7.2 Quorum of resolutions, decisive vote**

Board resolutions are passed by an absolute majority of the votes of Board members present; in case of a tie, the Chairman's vote is decisive (article 23(1) of the AoA).

**7.3 Resolutions on items not on agenda**

If time-critical matters arise after a Board meeting has already been convened, such matters may be discussed at the Board meeting and Board resolutions made if a majority of all Board members present agree. If feasible, a revised agenda will be sent to all Board members prior to the meeting. Absent Board members are informed of the resolution made after the Board meeting.

**7.4 Circular resolutions**

Board resolutions may be passed in writing (including by e-mail or other electronic means) if no material discussions are required, the matter is time-critical or has been prediscussed. A proposal for a circular resolution must be communicated to all Board members and is only deemed to have passed if:
(i) more than two-thirds of all Board members cast a vote or give written notice that they abstain; and
(ii) an absolute majority of all Board members participating in this circular resolution approve the proposed resolution; and
(iii) no Board member requests a Board meeting in relation to the subject matter of the proposed Board resolution within three business days of receiving notice of the proposal.

**7.5 Effect of circular resolutions**

A circular resolution is as binding as a Board resolution adopted at a Board meeting and must be recorded under a separate heading in the Board minutes prepared pursuant to sections 6.9 and 6.10 for the next Board meeting.

# 8 Information rights

**8.1 Right of information**

Board members have the right to access all information concerning the business and the affairs of the Group as may be necessary or helpful for them to fulfill their duties as Board members.

**8.2 Request for information during Board meetings**

At Board meetings, any Board member is entitled to request information on any matter relating to the Group regardless of the agenda, and the Board or GEB members present must provide such information to the best of their knowledge.

**8.3 Request for information outside of Board meetings**

Should a Board member require information or wish to review documents outside a Board meeting, such request must be routed through the Group Company Secretary and addressed to the Chairman.

**8.4 Request for information outside of Committee meetings**

Should a Chairperson require information or wish to review documents outside a Committee meeting, they can, within the range of responsibilities of their Committee, address their request to a member of the GEB directly, to Group IA or to external auditors. The Chairman and the Group CEO must be informed as appropriate.

# 9 Self-assessment

**9.1 Board self-assessment**

At least annually, on the basis of an assessment conducted by the GNC (which includes an appraisal by an external expert at least every three years), the Board reviews its own performance, as well as the performance of each of the Committees. Such a review seeks to determine whether the Board and the Committees function effectively and efficiently.

**9.2 Performance evaluation**

The GNC also arranges a performance evaluation for the Chairman. In light of the annual performance evaluation, the Board must consider whether any changes should be made to the membership of the Board or Committees.

# 10 Chairman

**10.1 Election**

The Board proposes the Chairman who in turn is elected by shareholders at the general meeting.

**10.2 In general**

The Chairman promotes the highest standards of corporate governance for the Group as well as the highest standards of integrity and probity within the Group.

**10.3 Management of the Board and the Board meetings**

The Chairman leads the Board, in this regard he has in particular the following responsibilities:

(i) to call Board meetings and set their agenda;

(ii) to coordinate the tasks within the Board and together with the Chairpersons the work of all Committees;

(iii) to ensure that Board members receive accurate, timely, clear and necessary material and information to enable the Board and its Committees to make sound decisions, monitor the management of the Group effectively and promote the success of the Group;

(iv) to manage the Board, its meetings and resources to ensure its effectiveness by balancing the time allocated to its strategic and supervisory functions, as well as ensuring sufficient time is allowed for discussion of complex or contentious matters and arranging, if necessary, informal meetings among Board members;

(v) to encourage active engagement by all Board members in all matters concerning the Board;

(vi) to ensure that Board resolutions are accurate in form and content and that they are implemented properly;

(vii) to build, together with the GNC, an effective and highly complementary Board with an appropriate balance of skills and experience, and to initiate changes in and planning Board succession and appointments;

(viii) to ensure the operation of a clear Committee structure;

(ix) to provide guidance to other Board members about what is expected of them and take into full account their issues and concerns; and

(x) to consider and address, together with the GNC, the development needs of individual Board members and the Board as a whole to ensure the necessary depth and breadth of knowledge and experience and to enhance the effectiveness and efficiency of the Board as a team through the establishment of an induction program for new Board members and a satisfactory ongoing training and education program for existing Board members, and organize, together with the GEB members, an annual seminar on the Group’s strategy.

| | | |
|---|---|---|
| **10.4** | **Shareholders' meetings** | The Chairman ensures that the Board convenes the AGMs and EGMs and that it prepares, and decides on, proposals to be made to the shareholders. In accordance with article 13 of the AoA, the Chairman presides over the AGMs and EGMs and ensures that the Board implements resolutions adopted at the AGMs and EGMs insofar as permitted by law. |
| **10.5** | **External communication** | The Chairman, together with the Group CEO, undertakes responsibility for UBS's reputation, is further closely involved in and responsible for ensuring effective communication with shareholders and stakeholders, including government officials, regulators and public organizations. The Chairman maintains close contact with the Group's principal regulators.<br><br>The Chairman is the primary representative of the Board and, together with the Group CEO, of the Group with the media. Other Board members may only discuss Group matters with the media with the approval of the Chairman. The SID ensures communication with those shareholders who wish to conduct discussions with an independent Board member. |
| **10.6** | **Relationship with Board and GEB** | The Chairman establishes and maintains close and constructive working relationships with and promotes open communication between the Board and the Group CEO and the other GEB members, providing advice and support to them while respecting that executive management responsibility is delegated to the GEB. Where appropriate, the Chairman ensures effective challenge of the Group CEO and the GEB by the Board and the Committees and fosters ongoing and effective monitoring of performance. |
| **10.7** | **Further responsibilities and authorities** | Further details of the responsibilities and authorities delegated to the Chairman are set out in the annexes to these ORs. |

## 11 Vice Chairmen and Senior Independent Director

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|---|---|---|
| **11.1** | **Appointment** | The Board appoints one or more Vice Chairmen and a SID. Both offices may be held by the same person. If the Board appoints more than one Vice Chairman, one of them must be independent. The Vice Chairmen support the Chairman with the responsibilities and authorities outlined herein. |
| **11.2** | **Responsibilities and authorities of each Vice Chairman** | Each of the Vice Chairmen is required to:<br>(i) lead the Board in the absence of the Chairman;<br>(ii) provide support and advice to the Chairman; and<br>(iii) undertake such specific additional duties or functions as the Board may entrust to him from time to time. |
| **11.3** | **Responsibilities and authorities of the SID** | The SID is required to:<br>(i) create an appropriate information flow and communication system among the independent Board members;<br>(ii) collect and relay any issues or concerns of independent Board members to the Chairman;<br>(iii) handle communication on behalf of the independent Board members and facilitate communication, where appropriate, between shareholders and independent Board members; and<br>(iv) be available to act as a point of contact for shareholders and stakeholders who wish to conduct discussions with an independent Board member, including with concerns that have not been resolved or are not raised through the normal channels.<br>Further responsibilities and authorities of the SID follow from sections 6.7, 10.5 and 15.9. |

## 12 Group Company Secretary

| | | |
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| **12.1** | **Appointment and function** | At the constitutional meeting of the Board, the Board appoints a Group Company Secretary, who acts as secretary to the Board and its Committees. |
| **12.2** | **Responsibilities and authorities** | The Group Company Secretary prepares the agenda for each Board meeting, keeps the Board minutes and the Committees' minutes, and assists the Board and its members in coordinating and fulfilling their duties. In accordance with section 8.3, the Group Company Secretary coordinates requests for information from the members of the Board outside of Board meetings and informs the Group CEO of such requests as appropriate. |
| **12.3** | **Staff and reporting** | The Group Company Secretary manages the staff supporting the Board and its Committees and reports to the Chairman. |
| **12.4** | **Official documents** | The Group Company Secretary is responsible for keeping UBS Group AG's official |

company documents and records including their certification.

## 13 Board Committees

| | | |
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| **13.1** | **Permanent and other Committees** | The Board establishes the AC, the Compensation Committee, the CCRC, the GNC and the RC as permanent Committees. The Board may set up other Committees, including ad hoc Committees, if deemed appropriate or necessary. |
| **13.2** | **Appointment and election** | From among its members, the Board appoints the Committee members and the respective Chairpersons. The Compensation Committee members are proposed by the Board and in turn elected by shareholders at the general meeting. |
| **13.3** | **Responsibilities and authorities** | Based on articles 25 and 27 of the AoA, the Board delegates certain responsibilities and authorities to the Committees pursuant to the annexes to these ORs. The overall responsibility for such delegated competences remains with the Board. |

# Group Executive Board

## 14 Delegation

**14.1 Delegation of management**

The Board delegates the executive management of the Group as set out in section 2.1(ii).

**14.2 Further delegation by the GEB**

The Group CEO and the GEB may further delegate certain responsibilities and authorities within the Group and may empower further delegation of such responsibilities and authorities. Such delegations must be in writing, and clear rules on responsibilities, authorities and accountabilities must be established. Specific responsibilities and authorities delegated by the GEB to a committee of the GEB will be set forth in a resolution adopted or a charter approved by the GEB.

**14.3 Time-critical matters**

The GEB will establish arrangements to ensure that decisions are made in a time-critical business matter, should the responsible GEB member be unable to act.

## 15 Group Executive Board

**15.1 Composition and appointment**

Under the leadership of the Group CEO, the GEB is comprised of the members detailed in sections 16 to 23 of these ORs and such further GEB members as appointed by the Board upon proposal of the Group CEO.

**15.2 Responsibilities and authorities**

Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It develops the strategies for the Group, the BDs and GF, and implements the Board-approved strategies. The GEB develops, implements and maintains an appropriate and adequate business organization designed to ensure compliance with applicable laws and regulations and an appropriate management information system.

**15.3 GEB as risk council**

The GEB acts as the risk council of the Group. It has overall responsibility for establishing and implementing risk management and control in the Group. It manages the risk profile of the Group as a whole as determined by the Board and the RC and manages the Group's reputation. The GEB determines its requirements for risk reporting, including improvements and changes to the reports, and receives periodic updates on risk data limitations.

**15.4 Preparation of Board decisions**

Where proposals for decisions must be made to the Board, the GEB prepares such proposals and supports the Board in its decision-making process.

**15.5 Group ALCO as a committee of the GEB**

The GEB is responsible for managing the Group's assets and liabilities in line with the Group strategy, risk appetite, regulatory commitments and interests of shareholders and other stakeholders. For this purpose, the GEB has established the Group ALCO pursuant to section 14.2. Further details, specific responsibilities and authorities delegated by the GEB to the Group ALCO are set forth in its terms of reference.

**15.6 Further duties**

The GEB is furthermore responsible for all management matters not reserved under the AoA or the ORs to any other person or Corporate Body.

**15.7 Meetings, agenda and notice period**

The GEB meets at least once every month or as appropriate. The agenda must be sent to the GEB members at least five calendar days prior to the date of the GEB meeting together with all necessary supporting material. In time-critical cases, a GEB meeting (called by the Group CEO as required or at the request of one GEB member addressed to the Group CEO) may be held and the supporting material may be sent on shorter notice. GEB meetings are chaired by the Group CEO or, if absent, by the nominated deputy CEO. GEB meetings may be held in person or by audio or video conference.

**15.8 Quorum of attendance**

The presence, either in person or by audio or video conference, of a majority of the GEB members is required to pass valid GEB resolutions.

**15.9 Quorum of resolutions**

The resolutions of the GEB are passed by the majority of the votes of the GEB members present. The Group CEO has the power to overrule any GEB resolution. If the Group CEO exercises this power, he must inform the Chairman and the SID as well as the GEB immediately.

**15.10 Minutes of GEB meetings**

Minutes are taken of all GEB meetings. They contain all resolutions made by the GEB. The minutes are sent to all GEB members and to the Chairman. Board members may inspect the GEB minutes in accordance with section 8. Section 6.10 applies mutatis mutandis to the GEB minutes.

**15.11 Circular resolutions**

With respect to circular resolutions of the GEB, sections 7.4 and 7.5 apply mutatis mutandis.

**15.12 Matters requiring immediate attention**

With regard to matters which require immediate attention, and if it is not feasible to convene an audio or video conference or to proceed by circular resolution within the time available, the Group CEO may, together with two other GEB members, make decisions, which have the effect of GEB resolutions. GEB members who could not be reached in time must be informed together with the Chairman as soon as possible. Section 7.5 applies mutatis mutandis to such resolutions.

**15.13 Assessment**

At least annually, the Group CEO assesses the performance of the GEB. Such a review seeks to determine whether the GEB functions effectively and efficiently. In light of the annual assessment, the Group CEO must consider whether any changes should be made to the composition of the GEB.

**15.14 Further duties of GEB members**

In addition to the responsibilities for each GEB member set out below, further details of the responsibilities and key authorities delegated to the GEB members are set out in the annexes to these ORs and the relevant Business Regulations or terms of reference.

## 16 Group Chief Executive Officer

**16.1 Appointment**

The Group CEO is appointed by the Board upon proposal of the Chairman and the GNC.

**16.2 Function, substitution**

The Group CEO is the highest executive officer of the Group and has responsibility and accountability for the management and performance of the Group. The Group CEO nominates a deputy CEO from within the GEB, who is confirmed by the Board. The deputy CEO shall temporarily exercise all responsibilities and authorities if the Group CEO should be incapacitated or unavailable to exercise the function as Group CEO.

**16.3 Main responsibilities and authorities**

The Group CEO sets the business and corporate agenda, ensures sound and timely decision-making and controls the implementation of decisions made. The Group CEO is in particular responsible for the following:

(i) ensuring the GEB fulfills its tasks and assumes its responsibilities;
(ii) ensuring alignment of the individual GEB members to the business and corporate agenda;
(iii) planning succession at GEB level;
(iv) supporting and advising senior management, as well as fostering an integrated entrepreneurial leadership spirit across the Group;
(v) assuming a leading role in preparation of strategy, risk, compensation and governance principles for the Board's consideration; and
(vi) together with the Chairman, undertaking responsibility for UBS's reputation and ensuring effective communications with shareholders and stakeholders (see also section 10.5).

**16.4 Further responsibilities and duties**

In addition to the responsibilities outlined in section 16.3, the Group CEO has responsibility for management and control of the Group CEO Functions.

**16.5 Right to overrule decisions**

The Group CEO has an all-encompassing right to information about and examination of all matters handled in the business. He has the power to overrule any decisions made by any management body, including any resolution by the GEB (see section 15.9).

**16.6 Reporting to the Board**

The Group CEO ensures that the Chairman and the Board are kept informed in a timely and appropriate manner on all matters falling within the scope of their responsibilities, as well as important business developments, issues or decisions taken by the GEB in particular with regard to matters which may have a material financial, operational or reputational impact on the Group.

Further, the Group CEO (either personally or through any other GEB member) regularly informs the Board on:
(i) key performance indicators and other relevant financial data of the Group;
(ii) existing and emerging risks, issues and mitigating measures;
(iii) updates on developments in important markets and on peers; and
(iv) information on all issues which may affect the supervisory or control function of the Board.

**16.7 Reporting by GEB members**

Each member of the GEB detailed in sections 17 to 23 below reports directly to the Group CEO and shall inform the Group CEO or GEB as appropriate of material matters and key developments within the scope of their responsibilities. The Group Functional Heads have an obligation to advise the Chairman and relevant Committees on significant issues arising in the field of their responsibilities.

# 17 Group Chief Financial Officer

**17.1 Responsibilities and authorities**

The Group CFO has in particular the following responsibilities:
(i) managing the Group's financial accounting, controlling, forecasting, planning and reporting processes;
(ii) ensuring transparency in and assessing the financial performance of the Group and the BDs;
(iii) developing the Group's inorganic strategy in collaboration with the GEB and supporting GEB members in mergers and acquisitions, as well as equity investment topics, by monitoring the progress of key inorganic growth initiatives;
(iv) managing and controlling the Group's tax affairs, treasury and capital management, including funding and liquidity risk, and regulatory capital ratios;
(v) ensuring asset and liability management by balancing consumption of the Group's financial resources;
(vi) consulting with the AC to make proposals to the Board regarding the standards for accounting to be adopted by UBS Group AG and the Group and defining the standards for financial reporting and disclosure;
(vii) managing relations with analysts and investors in coordination with the Group CEO;
(viii) under the supervision of the AC, coordinating the working relationships with the external auditors; and
(ix) managing the function "Group Finance".

# 18 Group Chief Digital and Information Officer

**18.1 Responsibilities and authorities**

The Group CDIO has in particular the following responsibilities:
(i) formulating the approach, objectives, financial and execution plans for the Group CDIO area in support of the BDs and GF;
(ii) driving Group-wide digitalization, delivering IT services, tools and infrastructure, including cyber protection and IT security, in line with the needs of the BDs and GF;
(iii) overseeing the prioritization of the technology enabled change initiatives;
(iv) directing and governing all IT development and engineering management activities;
(v) supplying real estate infrastructure and general administrative services to the Group;
(vi) directing and controlling all supply and demand management activities, supporting the Group with its third-party risk and sourcing strategies and managing the Group's near-/offshore, outsourcing and supplier-related processes;
(vii) delivering shared operational services, maintaining and overseeing the Group's crisis management operations and providing Group-wide data governance; and
(viii) managing the function "Group CDIO".

## 19 Group Chief Risk Officer

**19.1 Responsibilities and authorities**

The Group CRO has in particular the following responsibilities:

(i) the development of the Group's risk management and control framework (including risk principles and risk appetite) for the credit, market, country, liquidity, funding, model, and environmental and social risk categories, as well as the implementation of independent control frameworks for these risk categories, on the basis of and in accordance with the framework approved by the Board, including:
   (a) risk measurement, aggregation, portfolio controls and risk reporting; and
   (b) taking decisions on transactions, positions, exposures, portfolio limits and allowances in accordance with the risk control authorities delegated to the Group CRO;

(ii) monitoring and challenging the Group's risk-taking activities for the risk categories under Group CRO responsibility; and

(iii) managing the function "Group Risk Control".

## 20 Group General Counsel

**20.1 Responsibilities and authorities**

The Group GC has in particular the following responsibilities:

(i) managing the Group's legal affairs and ensuring effective and timely assessment of legal matters impacting the Group or its businesses;

(ii) providing the legal advice required by the Group;

(iii) management and reporting of all litigation and other significant contentious matters, including all legal proceedings, that involve UBS; and

(iv) managing the function "Group General Counsel".

## 21 Group Chief Compliance and Governance Officer

**21.1 Responsibilities and authorities**

The Group CCGO has in particular the following responsibilities:

(i) developing the Group's risk management and control framework (including taxonomies and risk appetite) for non-financial risks as well as implementing the independent control frameworks for these risks;

(ii) developing the Group's governmental policy and regulatory approach;

(iii) coordinating external governmental and regulatory relations and overseeing important regulatory matters, including key regulatory change programs across the Group;

(iv) managing the firm's new business governance process;

(v) developing global and local recovery and resolution plans and defining adequate resolvability improvement measures;

(vi) developing the Group's organization and legal entity structure, as well as corporate governance standards;

(vii) governing the Group's internal and external investigations portfolio and performing important investigations; and

(viii) managing the function "Group Compliance, Regulatory & Governance".

## 22 Regional Presidents

**22.1 Responsibilities and authorities**

The Regional Presidents have in particular the following responsibilities:

(i) cross-divisional collaboration;

(ii) representing the Group to the broader public in their region;

(iii) providing input to and facilitating the implementation of the Group's strategy; and

(iv) for Significant Group Entities, Significant Regional Entities and Significant Branches, the Regional Presidents assume responsibility for certain entity governance processes.

**22.2 Reporting obligation**

The Regional Presidents shall inform the relevant GEB member of any activities and issues that may give rise to actual or potential material regulatory or reputational concerns and of other relevant matters within the scope of their responsibilities.

# 23 Divisional Presidents

**23.1 Responsibilities and authorities**

The Divisional Presidents have in particular the following responsibilities:
(i) proposing BD strategies in line with the Group strategy taking into account input from the Regional Presidents;
(ii) the operation and management of their BD;
(iii) controlling and administering the dedicated financial resources, risk appetite, people and infrastructure of the BD;
(iv) collaborating with the Regional Presidents to support them in the exercise of their competences with regard to certain key entity governance processes; and
(v) the success, risks, results and value of their BD.

They are further accountable for the front-to-back control environment of the respective BD and are supported by the Group Functional Heads, who are accountable for confirming end-to-end completeness and effectiveness of the respective Group Function.

# Group Internal Audit

## 24 Scope, responsibilities, authorities and reporting

**24.1 Scope** Group IA is the internal audit function for the Group.

**24.2 Responsibilities** Group IA independently, objectively and systematically assesses the:

(i) soundness of the Group's risk and control culture;

(ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and

(iii) design, operating effectiveness and sustainability of:

- (a) processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
- (b) governance processes;
- (c) risk management, including whether risks are appropriately identified and managed;
- (d) internal controls, specifically whether they are commensurate with the risks taken;
- (e) remediation activities; and
- (f) processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

Group IA also conducts special audits at the request of the AC or other Board members, Committees or the Group CEO in consultation with the AC.

**24.3 Charter** Details of the role, responsibilities and authorities of Group IA are set out in the charter for Group IA. The charter is approved by the Board on the recommendation of the Chairman and the AC.

**24.4 Access rights** Group IA possesses unrestricted auditing rights within the Group; it has access at all times to all accounts, books, records, systems, property and personnel to fulfill its auditing responsibilities. The Head Group IA has open, direct and unrestricted access to the Chairman, the RC and the AC, as well as to the Group CEO.

**24.5 Independence** Group IA is independent in determining its activities, in particular when defining audit scope and executing audit engagements. Group IA reports are not subject to any instructions or restrictions, and its authority to audit is unrestricted.

## 25 Head Group IA

**25.1 Reporting** The Head Group IA reports directly to the Chairman. In addition, the Head Group IA has a functional reporting line to the AC in line with the responsibilities of the AC as set forth in the AC charter. The Head Group IA must inform the AC of the results of the annual internal audit plan and the status of annual internal audit objectives and must be in regular contact with the AC.

**25.2 Appointment** The Head Group IA is appointed by the Board based on the proposal of the Chairman and the AC.

**25.3 Responsibilities**

The Head Group IA is responsible for:

(i) maintaining and developing a professional audit team with sufficient knowledge, skills and experience to meet the requirements of these ORs, the audit charter, future challenges and emerging risks;

(ii) developing an annual audit plan based on an annual risk assessment;

(iii) continuously considering the firm's risk profile and audit universe;

(iv) reviewing and assessing the audit plan at least quarterly as well as implementing the approved annual audit plan (including any changes and special projects) and covering the audit universe in a risk-based audit cycle, in accordance with the budget and resource plan approved by the AC;

(v) delivering assurance over the effective and sustainable remediation of issues, taking a risk-based approach;

(vi) issuing quarterly governance and annual activity reports which provide an overview of significant audit results and other key developments;

(vii) coordinating the scope of Group IA's work with external auditors to provide optimal audit coverage;

(viii) maintaining effective relationships with UBS's regulators; and

(ix) leveraging Group IA's audit results with the activities of other control functions within UBS, while maintaining independence.

# Special provisions

## 26 Authority to sign

**26.1 In general**

Signing in the name of UBS Group AG requires two authorized signatures to be binding. The Board shall designate those persons authorized to sign on behalf of UBS Group AG.

**26.2 Signing authority rules**

The Board issues signing authority rules, specifying details and principles, including the scope of signature authorities and possible extensions, exceptions to the joint signature authority principle, and the possibility for signatories of UBS Entities to sign on behalf of UBS Group AG. In addition, UBS Entities establish their own rules, according to mandatory provisions of local law, rules and regulations.

## 27 Form of signature

**27.1 Signature form**

All authorized signatories sign by adding their signature to the name of the legal entity on whose behalf they act.

## 28 Conduct of Board and GEB members

**28.1 Duty of care and loyalty**

Each member of the Board and the GEB is under a duty to carry out their responsibilities with due care and to safeguard and further the interests of UBS and of all of its shareholders.

**28.2 Conflicts of interest**

The Board and GEB members must arrange their personal and business affairs, including their affairs with regard to a related person or company, so as to avoid, as much as possible, an actual, perceived or potential conflict with the interests of the Group.

**28.3 Disclosure of conflict of interest**

Each Board member must disclose to the Chairman, and each GEB member must disclose to the Group CEO, any conflict of interest generally arising or relating to any matter to be discussed at a meeting, as soon as the Board or GEB member becomes aware of its existence.

**28.4 Procedural measures**

Unless exceptional circumstances dictate that in the best interests of UBS, a Board or GEB member with a conflict of interest shall not participate in the discussions and decision-making involving the interest at stake, the Board or GEB member with a conflict of interest shall participate in discussions and:
(i) a double vote (a vote with and a vote without the conflicted individual) shall take place;
(ii) a binding decision on the matter requires the same outcome in both votes;
(iii) the Chairman or the Group CEO must advise the respective Corporate Body of the conflict of interest; and
(iv) the existence of the conflict must be recorded in the meeting minutes.

In the event of doubt, the Chairman or the Group CEO shall request the respective Corporate Body to determine whether a conflict of interest or exceptional circumstances exist.

**28.5 Duty of confidentiality**

Except for information already in the public domain, each Board and GEB member shall handle all information relating to the Group learned during the performance of their duties with the utmost discretion at all times. Such information may only be disclosed to third parties with prior written clearance from the Chairman or the Group CEO. This obligation and duty continues even after the term of office of the Board or GEB member has expired for as long as the relevant information remains confidential.

**28.6 Benefits of Board and GEB members**

If a Board or a GEB member becomes aware of the fact that they may receive a financial or non-financial benefit other than any salary, remuneration or other benefit from UBS, as a result of employment within the Group, that person must:
(i) promptly inform the Board, in the case of a Board member or the Group CEO; and
(ii) promptly inform the Group CEO, in the case of a GEB member other than the Group

CEO.

## 29 Entry into force, amendments

| | | |
|---|---|---|
| **29.1** | **Entry into force** | These ORs replace the former regulations of 1 April 2020 governing the internal organization of UBS Group AG and come into effect on 14 February 2022, based on a Board resolution of UBS Group AG dated 9 September 2021. |
| **29.2** | **Amendments** | These ORs may be amended by the Board only with the approval of FINMA. |

# Annex A – *Organizational chart of UBS Group AG*

# Organizational chart of UBS Group AG

# Annex B – *Charter of the Committees of the Board*

# Contents

# Introduction

## 1 Basis and purpose

**1.1 Basis**

This Committees' charter is enacted by the Board pursuant to articles 716–716b CO, articles 25 and 27 of the AoA and sections 5.9 and 13.3 of the ORs.

**1.2 Purpose**

The purpose of this Committees' charter is to set out the objectives, composition and responsibilities of the permanent Board Committees, being:
(i) the Audit Committee;
(ii) the Compensation Committee;
(iii) the Corporate Culture and Responsibility Committee;
(iv) the Governance and Nominating Committee; and
(v) the Risk Committee.

# Membership and constitution

## 2 Number of Committee members, their independence and knowledge

**2.1 Minimum number of Committee members**

Each Committee must have at least three Committee members.

**2.2 Independence**

Each Committee must consist of members of the Board who:

(i) with respect to the Compensation Committee, are all independent as defined by section 3.2 of the ORs;
(ii) with respect to the GNC and CCRC, are independent, in a majority, as defined by section 3.2 of the ORs;
(iii) with respect to the AC, fulfill the independence criteria set out in sections 2.3 and 2.4 of this Committees' charter; and
(iv) with respect to the RC, are all independent as defined by section 3.2 of the ORs and fulfill the independence criteria set out in section 2.4 of this Committees' charter.

At least one member of the RC must also be a member of the Compensation Committee.

**2.3 Special independence rules for AC members**

In addition to the independence criteria set out in section 3.2 of the ORs, each AC member must meet the requirements set forth in rule 10A-3 of the Securities Exchange Act of 1934 and the New York Stock Exchange rules.

**2.4 Special rules for AC and RC members**

Each AC and RC member must:

(i) not be an affiliated person of UBS; for the avoidance of doubt, serving as a member of the Board of a subsidiary of UBS Group AG or an affiliated company of the Group and receiving remuneration for such activity does not, of itself, make an AC or an RC member an affiliated person; and
(ii) not receive any consulting, advisory or other compensatory fees from UBS or any of its affiliated persons other than in their capacity as a Board member or a Committee member.

Each AC member must not serve on the audit committee of more than two other public companies, unless the Board has made a determination that such AC member or prospective AC member has the availability to properly fulfill their duties with UBS.

**2.5 Special rules for GNC members**

At least one of the Vice Chairmen and/or the SID is a member of the GNC.

**2.6 Knowledge**

Committee members must have the necessary knowledge and experience to fulfill their functions.

**2.7 Membership and presence of the Chairman**

Generally, the Chairman or one of the Vice Chairmen chairs the GNC. The Chairman may, in consultation with the relevant Chairperson, attend the meetings of other Committees as a non-voting guest.

## 3 Constitution

**3.1 Appointment and removal by the Board**

The Chairperson and the Committee members, with the exception of the Compensation Committee members, are appointed pursuant to section 4.3 of the ORs, and the Board may remove any Committee member or any Chairperson at any time. Should a vacancy arise on any Committee, even if the minimum number of Committee members pursuant to section 2.1 of this Committees' charter is still met, the Board may appoint the missing member from among its members for the remaining term of office.

# Responsibilities and authorities

## 4 Delegation of responsibilities and authorities

**4.1 In general**

Pursuant to section 13.3 of the ORs, the Committees have the responsibilities and authorities set out in the annexes to the ORs.

## 5 Audit Committee

**5.1 In general**

The function of the AC is to support the Board in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures.

Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The AC's responsibility is one of oversight and review.

**5.2 Responsibilities and authorities**

The AC's responsibilities and authorities for UBS Group AG and the Group are to:

(i) Financial reporting:
- (a) monitor the integrity of the financial statements and any announcements related to financial performance, and review significant financial reporting judgements contained in them, before recommending their approval to the Board;
- (b) advise the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- (c) review the organization and completeness of the financial reporting process, including the Group's internal control system and procedures as they relate to the integrity of the financial statements, taking into account the reports provided by the GEB, the external auditors, Group IA, regulators or other information as determined by the Committee to be appropriate;
- (d) review management's SOX 404 report in relation to internal controls over financial reporting;
- (e) review significant accounting policies and practices and compliance with accounting standards; and
- (f) review arrangements for compliance with the Group's legal, regulatory and other requirements (including tax matters) as they relate to the integrity of the financial statements or financial report;

(ii) External audit:
- (a) oversee the Group's relationship with and assess the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner; support the Board in reaching a decision in relation to the appointment, reappointment or dismissal of the external auditors and the rotation of the lead audit partner;
- (b) approve the engagement letter of the external auditors, including the scope of the audit and the fees and terms for the planned audit work;
- (c) oversee all audit and permitted non-audit services provided by the external auditors and establish such policies as the Committee deems appropriate;
- (d) annually review the external auditors' summary of adjusted and unadjusted differences; and
- (e) review the regulatory audit plan and the results of regulatory audits;

(iii) Group IA:
   (a) monitor and assess the effectiveness, independence and performance of the Head Group IA and Group IA;
   (b) approve Group IA's annual audit plan and objectives including subsequent important amendments;
   (c) monitor Group IA's discharge of its annual audit objectives; and
   (d) order special audits to be conducted either by Group IA or by mandating third parties and review and approve such requests from other Board members, Committees or the Group CEO;

(iv) Whistleblowing and investigations:
   (a) review the effectiveness of the firm's whistleblowing policies and procedures and ensure that appropriate whistleblowing mechanisms are in place;
   (b) review on a quarterly basis the levels of new and pending whistleblowing cases and reports on complaints made regarding accounting, auditing or other matters;
   (c) review on a quarterly basis reports on internal investigations; and
   (d) conduct or direct any investigation, including the retention of external advisors and consultants (at UBS's expense), as it considers necessary to discharge its responsibilities; and

(v) Human Resources:
   (a) annually provide input on the performance of the Group CFO, Group GC, Group CRO and Group CCGO to the Group CEO; and
   (b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the Group CFO.

# 6 Compensation Committee

**6.1 In general**

The function of the Compensation Committee is to support the Board in its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance.

**6.2 Responsibilities and authorities**

The Compensation Committee's responsibilities and authorities are to:

(i) Group compensation strategy and principles:
   (a) periodically review the Group compensation strategy and principles and propose any material changes to the Board for approval; and
   (b) evaluate the effectiveness of pay for performance results across the Group;

(ii) GEB performance targets and objectives:
   (a) propose, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the Group CEO for approval by the Board;
   (b) review, upon proposal of the Group CEO, the performance framework for the other GEB members; and
   (c) inform the Board of the Group CEO's financial and non-financial performance targets and objectives, as well as the performance framework for the other GEB members;

(iii) GEB performance assessments:
   (a) propose, upon proposal of the Chairman, the Group CEO's performance assessment for approval by the Board;
   (b) propose, upon proposal of the Group CEO, the performance assessments of the other GEB members for approval by the Board; and
   (c) inform the Board of the performance assessments of all GEB members, including the Group CEO;

(iv) Compensation framework and plans:
   (a) approve key features of the compensation framework and plans for the non-independent Board members and GEB members;
   (b) be informed of key features of the compensation framework and plans for employees other than GEB members;
   (c) approve key terms of any new or amended compensation plans or other compensation arrangements with a material financial, reputational or strategic impact or significant use of UBS Group AG shares;
   (d) be informed of key terms of any new or amended pension and benefit plans with a material financial, reputational or strategic impact;
   (e) approve the share ownership policy for GEB members;
   (f) propose, upon proposal of the Chairman, the remuneration/fee framework for independent Board members for approval by the Board; and
   (g) approve, upon proposal of the Chairman and Group CEO, the remuneration/fee frameworks for external supervisory board members of Significant Group Entities and be informed of remuneration/fee frameworks for external supervisory board members of Significant Regional Entities;

(v) Compensation governance:
   (a) approve key terms for material individual variations to standard employment and termination agreements for non-independent Board members and, upon proposal of the Chairman, for the Group CEO and, upon proposal of the Group CEO, for other GEB members;
   (b) approve the engagement of and fees for any external advisors/consultants retained by the Compensation Committee; considering factors relevant to the advisors' independence from management and any requirements under New York Stock Exchange listing standards prior to selecting, or receiving advice from any such advisor/consultant;
   (c) propose to the Board for approval the annual compensation report and approve other material public disclosures on UBS compensation matters;
   (d) approve the peer group framework used for non-independent Board and GEB members' pay comparison purposes;
   (e) meet with the RC annually to ensure that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking; and
   (f) be informed of major regulatory developments, shareholder initiatives and best practices in executive compensation;

(vi) Other compensation competencies:
   (a) approve the total compensation for the Chairman and the non-independent Board members;
   (b) propose, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the Board;
   (c) propose, upon proposal of the Group CEO, the individual total compensation for the other GEB members for approval by the Board;
   (d) approve, upon proposal of the Chairman, the total compensation for the Head Group IA, the Group Company Secretary and, upon proposal of the Group CEO, the total compensation for former GEB members for the first financial year after leaving the GEB;
   (e) propose, to the Board, for approval by the general meeting of the shareholders and subject to the relevant periods as outlined in the AoA:
      a. the maximum aggregate amount of compensation for the Board;
      b. the maximum aggregate amount of fixed compensation for the GEB; and
      c. the aggregate amount of variable compensation for the GEB;
   (f) For employees within the Group:
      a. approve the total individual compensation for the 50 highest-paid employees (excluding GEB members) at year-end compensation review;
      b. be informed of all employees with an annual total compensation of USD 3 million or more, and approve all employees with an annual total compensation of USD 5 million or more;
      c. be informed of or approve retention awards, severance payments, replacement awards and sign-on payments above internally defined thresholds, including commitments to compensate new hires; and
      d. approve the total individual compensation of certain employees based on additional regulatory requirements;

      these approval authorities can be delegated to the Chairperson of the Compensation Committee;
   (g) be informed of business performance progress and other variables that impact the funding of the performance award pool; and
   (h) propose, upon proposal of the Group CEO, the final annual Group performance award pool to the Board for approval and approve, upon proposal of the Group CEO, the performance award pools for the BDs and GF.

# 7 Corporate Culture and Responsibility Committee

**7.1 In general**

The CCRC supports the Board in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The CCRC's function also encompasses the monitoring of the current state and implementation of the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility including sustainability.

**7.2 Responsibilities and authorities**

The CCRC's responsibilities and authorities are to:

(i) General:
   (a) monitor and advise the Board on current and emerging societal trends and developments of potential relevance for the Group;
   (b) review and assess the current state and implementation of the corporate culture and corporate responsibility programs and initiatives within the Group; and
   (c) monitor the consistent application of the behaviors of accountability with integrity, collaboration and innovation within UBS;

(ii) Frameworks and regulations:
   (a) monitor and advise the Board on evolving external corporate culture and corporate responsibility regulations, standards and practices;
   (b) conduct the annual review process for the Code of Conduct and Ethics of UBS and make proposals for amendments to the Board; and
   (c) reaffirm UBS's frameworks pertaining to the programs and initiatives outlined below on an annual basis;

(iii) Strategy:
   (a) monitor the effectiveness of actions taken by UBS relating to the corporate culture and corporate responsibility regulations and policies, as well as the objectives of UBS;
   (b) support the GEB, if required, in the adjustment of processes pertaining to corporate culture and corporate responsibility;
   (c) approve Group Sustainability and Impact's overall strategy and annual objectives;
   (d) reaffirm the Group's memberships in organizations, as well as commitments with a sustainability and/or impact topic focus, on an annual basis; and
   (e) support a strong and responsible corporate culture firmly founded in a spirit of long-term thinking;

(iv) Programs and initiatives:
   oversee UBS's corporate culture and corporate responsibility programs and initiatives, including:
   (a) Group Sustainability and Impact;
   (b) three keys to success;
   (c) sustainable finance (including sustainable and impact investing);
   (d) client and corporate philanthropy;
   (e) environmental and social risk management;
   (f) climate strategy (including net zero commitment);
   (g) human rights (including modern slavery prevention);
   (h) in-house environmental management;
   (i) responsible supply chain management;
   (j) diversity, equity and inclusion;
   (k) client satisfaction;
   (l) talent management;
   (m) working environment; and
   (n) other evolving initiatives;

(v) Reporting, communications and engagements:
   (a) advise the Board on the reporting of the Group's corporate culture and corporate responsibility strategy and activities;
   (b) review and propose to the Board for approval the annual sustainability report including the relevant sections of the Group's annual reporting;
   (c) provide oversight of the annual sustainability report related disclosures and the sustainability disclosure assurance audit process; and
   (d) monitor and review communications on corporate culture and corporate responsibility with stakeholders (including relevant organizations and sustainability rating and ranking bodies) and their effectiveness with regard to the reputation of the Group.

# 8 Governance and Nominating Committee

**8.1 In general**

The function of the GNC is to support the Board in fulfilling its duty to establish best practices in corporate governance across the Group, including conducting a Board assessment, establishing and maintaining a process for appointing new Board and GEB members, as well as for the annual performance assessment of the Board.

**8.2 Responsibilities and authorities**

The GNC's responsibilities and authorities are to:

(i) Corporate governance:
   (a) address all significant corporate governance issues affecting the Group;
   (b) develop, maintain and review these ORs and make proposals to the Board for approval;
   (c) make recommendations to the Board concerning further corporate governance matters and practices;
   (d) review the corporate governance section of the Group's annual report;
   (e) coordinate as required the work of the other Committees regarding corporate governance in their specific areas of expertise;
   (f) plan and manage proposals for changes in Board membership, taking into account factors including:
      a. the size and composition of the Board, as well as its Committees; and
      b. the skill mix, industry experience, diversity considerations and responsibilities of Board members;
   (g) annually review the Board members' independence and present its assessment to the Board for approval;
   (h) approve mandates of Board and GEB members pursuant to articles 31 and 36 of the AoA and applicable internal policies; and
   (i) approve the appointment of supervisory board members for Significant Group Entities upon proposal by the Group CEO and ensure the Chairperson of the respective Board Committee of UBS Group AG is consulted on the appointment of Chairpersons to equivalent committees for Significant Group Entities;

(ii) annually review the Committees' charter, taking into account best practices;

(iii) Identification and nomination of new Board members:
   (a) develop, maintain and review principles and criteria regarding the recruitment and nomination of new Board members and Committee members, approve their existing mandates, assess their independence pursuant to section 3.2 of the ORs and provide specific proposals to the Board for approval;
   (b) review and propose new candidates for membership of the Board to be recommended for election by the shareholders at an AGM or EGM in accordance with selection criteria approved by the Board; and
   (c) manage a succession plan for Board and Committee membership;

(iv) Board education:
   (a) ensure the establishment of a satisfactory induction program for new Board members and a satisfactory ongoing training and education program for existing Board members and Committee members; and
   (b) maintain a list of trainings attended by individual Board members (maintained by the Group Company Secretary on behalf of the GNC);

(v) Performance evaluation:
   (a) set the criteria for and oversee the annual assessment of the performance and effectiveness of the Chairman, the Board as a whole and each Committee;
   (b) conduct an annual assessment of the performance and effectiveness of the Chairman and of the Board as a whole (which includes an appraisal by an external expert at least every three years), report to the Board the conclusions and recommendations and assess on a timely basis whether or not Board members are to be proposed for re-election by the AGM;
   (c) ensure that each Committee carries out and oversees a self-assessment of its performance and reports the conclusions and any recommendations for change to the Board; and
   (d) ensure that each Committee is subject to an external assessment every three years; and

(vi) Human resources:
supervise and approve, together with the Chairman, the succession planning for all GEB members and propose their appointment for approval by the Board (for this purpose, the GNC receives information from the Compensation Committee on its performance evaluation of the GEB members).

**8.3 Responsibilities and authorities of the Vice Chairman and/or SID**

In accordance with section 2.5 of this Committees' charter, at least one of the Vice Chairmen and/or the SID is a member of the GNC. The respective GNC member is required:

(i) together with the GNC, to lead the Board in the ongoing monitoring and annual evaluation of the Chairman; and

(ii) in conjunction with the Chairman and the GNC, to ensure good corporate governance, balanced leadership and control within the Group, the Board and the Committees.

# 9 Risk Committee

**9.1 In general**

The function of the RC is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework in the areas of:
(i) financial and non-financial risks; and
(ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution.
The RC considers the potential effects of the aforementioned risks on the Group's reputation.

**9.2 Responsibilities and authorities**

The RC's responsibilities and authorities are to:
(i) Risk management and control:
   (a) review and propose to the Board the guiding principles and framework for risk management and control (including risk appetite, delegation of risk authorities and major risk limits) relative to UBS's operations, assess management's respective proposals and recommend any required changes to the Board;
   (b) review and approve the risk appetite methodology (including objectives and binding scenarios) relative to the Group's activities and risk profiles, including allocation of responsibilities within the risk management and control framework;
   (c) review and propose to the Board the risk, capital, liquidity and funding, and balance sheet section of the annual report of the Group;
   (d) periodically assess the appropriateness of major policies and procedures adopted by the GEB relating to the risk management and control of significant risks;
   (e) review and make recommendations to the Board based on proposals from the GEB in relation to material risk limits and periodically review allocations and authority levels relating to those limits. Material risk limits include those relating to portfolios, concentrations, products, sectors or other categories relevant to the strategy, risk profile and risk capacity of UBS Group AG and the Group as approved by the Board;
   (f) review and approve the principal characteristics of the Group's risk measurement framework (including changes thereto) used to identify, model, measure, monitor and report risks;
   (g) monitor and oversee the risk profile of UBS Group AG and the Group within the context of the Board-determined risk profile, risk capacity and limit structure;
   (h) systematically review high-risk areas of the Group and assess the effectiveness of the steps taken by the GEB to manage or mitigate such risks;
   (i) review and assess the asset and liability management framework, including allocation of responsibilities, limits, capital allocation to BDs and GF, liquidity and funding;
   (j) review regulatory framework reforms affecting areas within the scope of the RC's mandate and recommend any required changes to the Board;
   (k) consider the Group's strategy to deal with anticipated or existing high-level risks and assist the Board by reviewing and assessing management's proposals in relation to strategy;
   (l) review management's proposals and as appropriate propose to the Board for approval a global recovery plan and global resolution strategy;
   (m) review management's assessments of UBS's non-financial risk exposures and related risk-oriented activity plans;
   (n) periodically review material communications (including formal assessments) between UBS and its principal regulators;
   (o) review projects and remediation activities (as determined by the RC) undertaken by the management to address critical changes to the risk management/control environment; and
   (p) periodically meet with the Compensation Committee to ensure that the compensation framework appropriately reflects risk awareness and management, and ensures appropriate risk-taking;
(ii) Risk reporting:
   (a) determine risk reporting requirements that allow for an effective oversight by the RC and communicate changes to report owners if reporting requirements are not met or change;
   (b) review risk reports, including reports from management that assess the likelihood of risks materializing, the monitoring of emerging trends via forecasts or stress tests, the adequacy and appropriateness of the internal controls to manage those risks and that contain agreed measures to reduce risks or deal with specific risk situations including stress situations; and

(c) receive periodic updates on limitations that prevent full risk data aggregation in the risk reports; and

(iii) Human Resources:

(a) annually provide input on the performance of the Group CRO, Group CFO, Group GC and the Group CCGO to the Group CEO; and

(b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the Group CRO and the Group CCGO.

# 10 Further responsibilities and authorities

**10.1 Further responsibilities and authorities**

The Board may entrust further powers and duties to the Committees by Board resolution.

# 11 Delegation to a member or subcommittee

**11.1 Further delegation by the Committees**

Each Committee may delegate some of its tasks to one of its members or to a subcommittee comprised of two or more of its members. Such delegations shall be recorded in the Committee's minutes and the Chairman must be informed.

# 12 Information rights

**12.1 Committees**

In accordance with the procedure set out in section 8.4 of the ORs, each Committee may request any relevant information or special reports from any GEB member or Group IA on matters relating to its respective responsibilities set out in this Committees' charter.

**12.2 Committee members**

For the information rights of each Board member, see section 8 of the ORs.

# 13 Meeting with third parties

**13.1 Meeting with third parties**

The Committees may, in performing their duties, take advice from and meet as a body with third parties. In consultation with the Group CEO, they may meet with regulators. The Chairperson shall inform the Chairman accordingly.

# Meetings and resolutions of the Committees

## 14 Meetings

**14.1 Number of meetings**

Each Committee meets as often as its business requires, but at least:
(i) four times a year for the AC, the RC and the Compensation Committee; and
(ii) twice a year for the CCRC and the GNC.

The AC and RC hold at least four joint meetings a year.

The Compensation Committee and RC periodically hold joint meetings.

**14.2 Request, invitation, agenda, notice period, chair, and format**

Committee meetings, including joint meetings, are called and held in compliance with the rules set out in the ORs (sections 6.2 to 6.5 and 6.8 of the ORs to be applied mutatis mutandis).

**14.3 Presence of third parties at Committee meetings**

Each Chairperson may, on their own motion or upon request of any Committee member or the Chairman, invite GEB members, as well as other persons, to attend Committee meetings. The Group CEO will be informed accordingly.

**14.4 Special rules for the AC**

The AC holds Committee meetings:
(i) normally with the participation of the Head Group IA, representatives of the external auditors, the Group CEO, the Group CFO, and the Group Controller and Chief Accounting Officer; and
(ii) periodically, only with the participation of the Head Group IA, the external auditors, or with members of management, or a combination of any of the aforementioned.

**14.5 Special rules for the CCRC**

The CCRC normally holds Committee meetings with the participation of the Group CEO, the Head Group Sustainability and Impact, and the Chief Sustainability Officer.

**14.6 Special rules for the Compensation Committee**

The Compensation Committee normally holds Committee meetings with the participation of the Group CEO, the Group Head HR, the Global Head of Reward and external advisors.

**14.7 Special rules for the RC**

Generally, the Group CEO, the Group CFO, the Group CRO, the Group GC, the Group CCGO, the Head Group IA and representatives of the external auditors participate (to the extent necessary) in each meeting of the RC. The invitation of other persons is at the discretion of the RC.

**14.8 Resolutions**

Resolutions are passed by an absolute majority of the votes of Committee members present; in case of a tie, the decision is passed on to the Board and decided in accordance with section 7.2 of the ORs. Sections 7.2 to 7.4 of the ORs apply mutatis mutandis with regard to circular resolutions.

**14.9 Minutes**

The minutes of Committee meetings, including joint meetings, must fulfill the conditions set out in sections 6.9, 6.10 and 7.5 of the ORs and be distributed to the Chairman.

## 15 Resolutions and information rights

**15.1 Resolutions and information rights**

Sections 7, 8.2, 8.3 and 8.4 of the ORs apply mutatis mutandis to the decision-making process and the information rights of the Committees and the Committee members.

# Reporting

## 16 Regular reporting

**16.1 In general**

Each Chairperson ensures that the Chairman and the Board are kept informed in a timely and appropriate manner. Each Chairperson (either personally or through another Committee member) regularly reports to the Board at the Board meetings on the current activities of their Committee and on important Committee issues, including all matters falling within the duties and responsibilities of the Board, namely:

(i) proposals for resolutions to be considered, or other action to be taken by the Board;
(ii) resolutions and decisions made by the Committee and the material considerations that led to such resolutions and decisions; and
(iii) activities and important findings of the Committee.

**16.2 Submitting of proposals and recommendations**

Each Chairperson submits, in writing, the proposals and resolutions mentioned in sections 16.1(i) and (ii) of this Annex to the ORs to the Board unless such proposals are contained in the Committee minutes; the remaining reporting is generally done orally.

**16.3 Annual reporting of the Committees**

Each Committee annually submits a report to the Board, detailing the activities of the Committee during the previous twelve months.

## 17 Special reporting

**17.1 AC**

Following the completion of the audit and the annual financial statements, the AC Chairperson submits annually to the Chairman, for the attention of the Board:

(i) the AC's assessment of the qualification, independence and performance of the external auditors;
(ii) the AC's assessment of the design of the Group's internal control system for financial reporting and the coordination and interaction between Group IA and the external auditors; and
(iii) a recommendation regarding the audited financial statements in UBS's annual report.

# Special provisions

## 18 Confidentiality

**18.1 Special rule**

The deliberations of the Compensation Committee and GNC are handled with the utmost discretion and are to be communicated outside of these Committees only to the extent permitted by the Chairpersons of these Committees. The Chairman is exempted with regard to the confidentiality of deliberations.

## 19 Self-assessment and adequacy review

**19.1 Self-assessment and adequacy review**

Each Committee reviews the adequacy of its charter at regular intervals, but at least annually, and recommends to the GNC any changes considered to be necessary or appropriate. For the self-assessment, section 9 of the ORs is to be applied mutatis mutandis.

UBS Group AG
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UBS

# Organization Regulations

of UBS AG

**Valid as of 14 February 2022**

# Contents

# Abbreviations and definitions

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

| | |
|---|---|
| **AC** | Audit Committee |
| **AGM** | Annual General Meeting of the shareholders of UBS AG |
| **ALCO** | Asset and Liability Committee |
| **AoA** | Articles of Association of UBS AG |
| **BD(s)** | Business division(s), organizational units of the business as set out in the UBS Group AG Organization Regulations |
| **Board/BoD** | Board of Directors of UBS AG; non-executive Board members who do not perform management functions within UBS AG |
| **Business Regulations** | Regulations issued by the Executive Board |
| **CCGO** | Chief Compliance and Governance Officer of UBS AG |
| **CDIO** | Chief Digital and Information Officer of UBS AG |
| **CFO** | Chief Financial Officer of UBS AG |
| **Chairman** | Chairman of the Board |
| **Chairpersons** | Board members who chair the Committees |
| **CO** | Swiss Code of Obligations |
| **Committees** | Committees of the Board as set out in section 2.1 |
| **Committees' charter** | Charter of the Committees of the Board setting out the objectives, composition, authorities and responsibilities of the permanent Committees |
| **Company Secretary** | Company Secretary of the Board |
| **CompCo** | Compensation Committee |
| **Corporate Bodies** | The Board and bodies of UBS AG exercising delegated Board functions, such as the Committees, the EB, committees established by the EB, IA of UBS AG or other bodies mentioned herein |
| **CRO** | Chief Risk Officer of UBS AG |
| **Divisional President/DP** | Divisional Presidents are the heads of the respective BDs, as set out in the UBS Group AG Organization Regulations |
| **EGM** | Extraordinary General Meeting of the shareholders of UBS AG |
| **Executive Board / EB** | Executive Board of UBS AG |
| **EB Committees** | Committees of the EB as set out in section 24 |
| **Financial statements** | Quarterly and annual financial statements of UBS AG |
| **FINMA** | Swiss Financial Market Supervisory Authority |
| **FRC** | Finance and Risk Committee |
| **Functional Head / FH** | CFO, CDIO, CRO, GC and CCGO |
| **GC** | General Counsel of UBS AG |
| **GCRG** | Group Compliance, Regulatory & Governance |
| **GF** | Group Functions, which comprises the functions as set out in the UBS Group AG Organization Regulations |
| **Group CEO** | Group Chief Executive Officer |
| **Group IA** | Internal Audit of the Group |
| **Head HR** | Head Human Resources of UBS AG |
| **HR** | Human Resources |
| **IA** | Internal Audit of UBS AG under the oversight of the IA Executive UBS AG |
| **IA Executive UBS AG** | IA Executive of UBS AG |
| **ICAAP** | Internal Capital Adequacy Assessment Process |

| | |
|---|---|
| **ORs** | Organization Regulations of UBS AG including annexes |
| **Other UBS Entities** | Entities of the Group which are neither Significant Group Entities nor Significant Regional Entities |
| **PRA** | Prudential Regulation Authority (Bank of England) |
| **President of the EB** | President of the Executive Board of UBS AG |
| **RC** | Risk Committee |
| **Regional President / RP** | Regional Presidents as set out in the UBS Group AG Organization Regulations and in the RP terms of reference |
| **Risk Authorities** | Internal document setting out the high-level delegated authorities for risk management and control for UBS AG |
| **Shareholders** | Shareholders of UBS AG |
| **Significant Branches** | Branches of subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the Group CEO |
| **Significant Group Entities / SGEs** | Significant subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the UBS Group AG Governance and Nominating Committee |
| **Significant Regional Entities / SREs** | Subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the Group CEO |
| **SOX** | Sarbanes–Oxley Act |
| **Stakeholders** | Persons, groups or organizations that have a direct or indirect stake in UBS AG and may, as a result, affect or be affected by UBS AG's actions, objectives and policies |
| **UBS/Group** | UBS Group AG and its subsidiaries; the UBS group of companies |
| **UBS AG Entities** | All subsidiaries (excluding Special Purpose Entities) which are either wholly or majority, directly or indirectly owned or otherwise controlled by UBS AG and which are intended to be held indefinitely |
| **UBS Group AG** | UBS Group AG; the listed parent company of the Group |
| **Vice Chairman** | The Vice Chairman of the Board as set out in section 11 |

# Introduction

## 1 Basis and purpose

**1.1 Basis**

These ORs are enacted by the Board of UBS AG pursuant to article 716b of the CO and articles 24 and 26 of the AoA.

**1.2 Purpose**

The purpose of these ORs is:
(i) to implement and supplement requirements contained in applicable laws, regulations and the AoA having regard to pertinent codes of best practice; and
(ii) to define the functions, responsibilities and authorities of UBS AG's Corporate Bodies and their members.

Mandatory provisions of applicable laws, rules and regulations or rules contained in the AoA take precedence over the ORs.

## 2 Organization of UBS AG

**2.1 Organization in general**

UBS AG and its business are organized as follows:
(i) The Board, under the leadership of the Chairman, has the ultimate responsibility for the direction, supervision and control of UBS AG, and performs the other duties described herein or as prescribed by mandatory provisions of law.
The Board is responsible for deciding all matters and taking business decisions where such decisions exceed the authority delegated by the Board to the Committees, the EB or the President of the EB.
(ii) As provided by mandatory law, rules and regulations, the AoA or these ORs, the executive management of UBS AG is delegated to the EB under the leadership of the President of the EB. Under consideration of applicable regulatory requirements, the President of the Executive Board of UBS Switzerland AG may not be a member of the UBS AG EB.
(iii) The following permanent Committees assist the Board in the performance of its responsibilities:
  (a) the Audit Committee;
  (b) the Compensation Committee; and
  (c) the Risk Committee.
(iv) The following permanent EB Committees assist the EB in the performance of its responsibilities:
  (a) the Asset and Liability Committee; and
  (b) the Finance and Risk Committee.

**2.2 Group steering**

UBS Group AG, as the listed parent company of the Group, controls directly or indirectly all subsidiaries, including UBS AG, and leads the Group by setting a harmonized strategic direction. UBS Group AG further sets principles and organizational structures to enable efficient and coordinated management of the Group and control of its subsidiaries. Notwithstanding this, the legal independence of UBS AG, including formal decision-making by the Corporate Bodies as required under applicable constitutional documents, and the provisions of applicable local laws, rules and regulations relating to UBS AG, must be observed to the extent legally required.

**2.3 UBS AG as a subsidiary of UBS Group AG**

UBS AG is a subsidiary of UBS Group AG. As such it may fulfill strategic, financial and management functions not only for itself, but also with respect to the Group. In view of this function, the Corporate Bodies of UBS AG may have to resolve on matters that pertain both to UBS AG and the Group. To this end, UBS AG:

(i) develops and implements its business strategies and business plans, as well as appropriate risk management and internal control frameworks, in accordance with strategies, targets and policies defined by the Group;

(ii) manages its subsidiaries in accordance with the UBS entity framework. UBS AG issues the necessary regulations, policies and instructions, ensures logistical support, maintains commensurate control functions and allocates the authority necessary for an orderly and efficient conduct of the business of its subsidiaries; and

(iii) works closely with the BDs and the GF of the Group in order to identify and benefit from synergies and to realize earnings potential and cost savings.

**2.4 Banking business of UBS AG**

The banking business and support operations of UBS AG are performed by itself and its direct or indirect subsidiaries. Each subsidiary has its own constitutional documents, which must be in line with applicable local laws, rules and regulations.

**2.5 Transparency, collaboration and reporting within the Group**

Subject to and in accordance with applicable local laws, rules and regulations, Corporate Bodies are bound to ensure transparency and collaboration within the Group and may have additional responsibilities and reporting lines within the Group in addition to their reporting lines within UBS AG.

## 3 Membership

**3.1 Election proposal**

In consultation with the Chairman, the Board proposes candidates for election by the shareholders.

**3.2 Independence of Board members**

The Board's proposal for election ensures that one-third of the Board members will be independent. For this purpose, independence is determined in accordance with FINMA circular 2017/1 "Corporate governance – banks." Furthermore, there must be a sufficient number of Board members who meet the independence criteria for the Committee members set out in the annex "Charter of the Committees of the Board." The Chairman does not need to be independent.

**3.3 Notification duty**

Each Board member must notify the Chairman immediately if circumstances change in a manner that may affect their independence.

**3.4 Expectations of the Board members**

The Board, as a group, must have the necessary qualifications, skills and diversity to perform all Board duties. In particular, the Board must together possess financial literacy, experience in banking and risk management, as well as international experience, including experience of international financial matters, and knowledge of the duties of directors.

Candidates for election to the Board shall be considered in light of their personal experience and abilities, including any specialist knowledge or skills required to fulfill specific Board functions as outlined herein, as well as their ability to contribute to building a complementary and effective Board.

## 4 Constitution

**4.1 Number of members**

The Board consists of five to twelve Board members as per article 18 of the AoA.

**4.2 Term of office**

The term of office for each Board member is one year, pursuant to article 19 of the AoA. Subject to election by shareholders, Board members are normally expected to serve for a minimum of three years. No Board member may serve for more than 10 consecutive terms of office, in exceptional circumstances the Board can extend this limit.

**4.3 Constitutional meeting**

The Board constitutes itself at its first meeting following the AGM. In this meeting
(i) the Vice Chairmen;
(ii) the Chairpersons of the Committees; and
(iii) the Committee members
are appointed by the Board.
The Board may remove these Board members from their special functions at any time.

## 5 Responsibilities and authorities

**5.1 In general**

In addition to mandatory provisions of law, rules, regulations and the AoA, the Board has the responsibilities and authorities set out in these ORs.

**5.2 Supervision**

The Board is responsible for the overall direction, supervision and control of UBS AG and its management, as well as for supervising compliance with applicable laws, rules and regulations.

**5.3 Ultimate responsibility**

The Board has ultimate responsibility for the success of UBS AG and for delivering sustainable shareholder value within a framework of prudent and effective controls and subject to the parameters set by the Group. It decides on UBS AG's strategy and the necessary financial and human resources upon recommendation of the President of the EB and sets UBS AG's values and standards to ensure that its obligations to shareholders and other stakeholders are met.

| | | |
|---|---|---|
| **5.4** | **Strategy and financial success** | Taking into account the Group's overall strategy and interests, the Board's ultimate responsibility for strategy and financial success includes in particular:<br>(i) deciding the strategy of UBS AG upon recommendation of the President of the EB, taking into account the proposals and alternatives presented;<br>(ii) approving the risk management and control framework of UBS AG, including the overall risk appetite;<br>(iii) deciding whether UBS AG should enter substantial new business areas or exit an existing business area, in cases where the entry or exit is not covered by the current approved strategic framework; and<br>(iv) approving major acquisitions, mergers, disposals or capital expenditure, including decisions on major changes to the company structure, major changes in its Significant Group Entities, and other projects of strategic importance for UBS AG. |
| **5.5** | **Finance** | With respect to the ultimate responsibility for the financial situation, the Board has in particular the following duties:<br>(i) approving the applicable accounting standards and financial control frameworks, as well as significant changes to them;<br>(ii) annually reviewing and approving the three-year strategic plan and one-year operating plan of UBS AG, including the financial objectives and a capital allocation framework, as well as the capital and liquidity plans;<br>(iii) annually reviewing and approving of the ICAAP of UBS AG;<br>(iv) reviewing and approving the annual financial statements of UBS AG and, where applicable, the quarterly financial statements; and<br>(v) reviewing and approving the consolidated annual and quarterly financial statements, and the consolidated annual report of UBS AG prior to its submission to the AGM. |
| **5.6** | **Organization** | The Board is responsible for establishing an appropriate business organization, including in particular:<br>(i) approving and regularly reviewing the governance principles and the management structures as set out herein;<br>(ii) appointing and removing EB members, the Company Secretary and the IA Executive UBS AG and reviewing their performance;<br>(iii) overseeing the effectiveness of the business organization and management information system implemented by the EB;<br>(iv) supervising the internal control system;<br>(v) approving the charter for IA and monitoring IA; and<br>(vi) approving the compensation and benefits principles of UBS AG. |
| **5.7** | **Meetings of shareholders** | The Board has a duty to convene AGMs and EGMs, prepare the agenda for such meetings and implement resolutions adopted by the shareholders. |
| **5.8** | **Loss of equity** | In case of financial difficulties or insufficient equity, the Board must undertake all steps required under applicable law. |
| **5.9** | **Delegation** | Within the limits of applicable law, regulations and the AoA, the Board may delegate part of its responsibilities and authorities to:<br>(i) the Committees;<br>(ii) individual Board members;<br>(iii) the EB; and<br>(iv) individual EB members. |
| **5.10** | **Advice from third parties** | The Board and the Committees may, in performing their duties, take advice from third parties. |

# 6 Meetings

| | | |
|---|---|---|
| **6.1** | **Number of meetings** | The Board meets as often as business requires, and at least six times a year. |
| **6.2** | **Convening meetings** | Board meetings are convened by the Chairman. Upon written request, including reasons, of any Board member or the President of the EB addressed to the Chairman, he shall convene a Board meeting in accordance with sections 6.3 and 6.4. |
| **6.3** | **Invitation** | The Chairman or, if absent, one of the Vice Chairmen invites the Board members to the Board meetings in writing (including by e-mail or other electronic means). |

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|---|---|---|
| **6.4** | **Agenda and notice period** | The invitation contains the agenda and must be sent to Board members and other attendees as a rule at least five business days prior to the date of the Board meeting together with all necessary supporting material. In exceptional cases, supporting material may be sent later to allow the Board to receive the latest available information. This applies in particular to updates on financial data.<br><br>In time-critical cases (as determined at the Chairman's discretion), a Board meeting may be held and the supporting material may be sent at shorter notice. |
| **6.5** | **Chair** | Board meetings are chaired by the Chairman or, if absent, by one of the Vice Chairmen or, in their absence, by another Board member selected by the Board members present. |
| **6.6** | **Attendees** | The Board may hold Board meetings as determined by the Chairman:<br>(i) with or without the participation of the President of the EB and all or some of the other EB members; and<br>(ii) with the participation of other persons, who are invited to attend. |
| **6.7** | **Meeting format** | Board meetings may be held in person or by audio or video conference. |
| **6.8** | **Minutes of Board meetings** | The minutes (including its annexes as presented to the Board) contain all Board resolutions made and reflect in a general manner the considerations which led to the decisions made. Dissenting opinions of and votes cast by Board members must also be reflected in the minutes. |
| **6.9** | **Form of minutes, inspection rights** | The minutes must be signed by the Board member chairing the meeting (in accordance with section 6.5) and the Company Secretary and must be made available for review prior to the next Board meeting at which these shall be approved. Board members are entitled to examine the minutes of any Board meeting at any time. |

# 7 Resolutions

| | | |
|---|---|---|
| **7.1** | **Quorum of attendance** | The presence of either the Chairman or one of the Vice Chairmen as well as of the majority of the Board members is required to pass valid Board resolutions. If this quorum is not present, the Chairman can seek a circular resolution of the Board (see section 7.4). No such quorum is required for decisions confirming, implementing and amending resolutions relating to capital increases (article 22(2) of the AoA). |
| **7.2** | **Quorum of resolutions, decisive vote** | Board resolutions are passed by an absolute majority of the votes of Board members present; in case of a tie, the Chairman's vote is decisive (article 22(1) of the AoA). |
| **7.3** | **Resolutions on items not on agenda** | If time-critical matters arise after a Board meeting has already been convened, such matters may be discussed at the Board meeting and Board resolutions made if a majority of all Board members present agree. If feasible, a revised agenda will be sent to all Board members prior to the meeting. Absent Board members are informed of the resolution made after the Board meeting. |
| **7.4** | **Circular resolutions** | Board resolutions may be passed in writing (including by e-mail or other electronic means) if no material discussions are required, the matter is time-critical or has been pre-discussed. A proposal for a circular resolution must be communicated to all Board members and is only deemed to have passed if:<br>(i) more than two-thirds of all Board members cast a vote or give written notice that they abstain; and<br>(ii) an absolute majority of all Board members participating in this circular resolution approve the proposed resolution; and<br>(iii) no Board member requests a Board meeting in relation to the subject matter of the proposed Board resolution within three business days of receiving notice of the proposal. |
| **7.5** | **Effect of circular resolutions** | A circular resolution is as binding as a Board resolution adopted at a Board meeting and must be recorded under a separate heading in the Board minutes prepared pursuant to sections 6.8 and 6.9 for the next Board meeting. |

## 8 Information rights

**8.1 Right of information**

Board members have the right to access all information concerning the business and the affairs of UBS AG as may be necessary or helpful for them to fulfill their duties as Board members.

**8.2 Request for information during Board meetings**

At Board meetings, any Board member is entitled to request information on any matter relating to UBS AG regardless of the agenda, and the Board or EB members present must provide such information to the best of their knowledge.

**8.3 Request for information outside of Board meetings**

Should a Board member require information or wish to review documents outside a Board meeting, such request must be routed through the Company Secretary and addressed to the Chairman.

**8.4 Request for information outside of Committee meetings**

Should a Chairperson require information or wish to review documents outside a Committee meeting, they can, within the range of responsibilities of their Committee, address their request to a member of the EB directly, to the IA or to external auditors. The Chairman and the President of the EB must be informed as appropriate.

## 9 Self-assessment

**9.1 Board self-assessment**

At least annually, the Board reviews its own performance, as well as the performance of each of the Committees. Such a review seeks to determine whether the Board and the Committees function effectively and efficiently.

**9.2 Performance evaluation**

In light of the annual performance evaluation, the Board must consider whether any changes should be made to the membership of the Board or Committees.

## 10 Chairman

**10.1 Election**

The Board proposes the Chairman who in turn is elected by shareholders at the general meeting.

**10.2 In general**

The Chairman leads the Board. He further coordinates the tasks within the Board and, in particular, calls Board meetings and sets their agenda.

**10.3 Shareholders' meetings**

In accordance with article 13 of the AoA the Chairman presides over the AGMs and EGMs.

**10.4 Coordination of Committee work and Chairman's attendance**

The Chairman coordinates, together with the Chairpersons, the work of all Committees. In consultation with the relevant Chairperson, the Chairman or one of the Vice Chairmen may attend meetings of the Committees.

**10.5 External communication**

The Chairman, together with the President of the EB, undertakes responsibility for UBS AG's reputation, is further closely involved in and responsible for ensuring effective communication with shareholders and stakeholders, including government officials, regulators and public organizations.

The Chairman is the primary representative of the Board and, together with the President of the EB, of UBS AG with the media.

**10.6 Relationship with Board and EB**

The Chairman establishes and maintains close and constructive working relationships with and promotes open communication between the Board and the President of the EB and the other EB members, providing advice and support to them while respecting that executive management responsibility is delegated to the EB. Where appropriate, the Chairman ensures effective challenge of the President of the EB and the EB by the Board and the Committees and fosters ongoing and effective monitoring of performance.

**10.7 Further responsibilities and authorities**

Further details of the responsibilities and authorities delegated to the Chairman are set out in the annexes to these ORs.

# 11 Vice Chairmen

**11.1 Appointment and authorities**

The Board appoints one or more Vice Chairmen. A Vice Chairman is required to lead the Board in the absence of the Chairman, to provide support and advice to the Chairman and to undertake such specific additional duties or functions as the Board may entrust to him from time to time.

**11.2 Further responsibilities and authorities**

Further details of the responsibilities and authorities delegated to the Vice Chairmen are set out in the annexes to these ORs.

# 12 Company Secretary

**12.1 Appointment and function**

At the constitutional meeting of the Board, the Board appoints a Company Secretary, who acts as secretary to the Board and its Committees.

**12.2 Responsibilities and authorities**

The Company Secretary prepares the agenda for each Board meeting, keeps the Board minutes and the Committees' minutes and assists the Board and its members in coordinating and fulfilling their duties. In accordance with section 8.3, the Company Secretary coordinates requests for information from the members of the Board outside of Board meetings and informs the President of the EB of such requests as appropriate.

**12.3 Reporting**

The Company Secretary reports to the Chairman.

**12.4 Official documents**

The Company Secretary is responsible for keeping UBS AG's official company documents and records including their certification.

# 13 Board Committees

**13.1 Permanent and other Committees**

The Board establishes the AC, the Compensation Committee and the RC as permanent Committees. The Board may set up other Committees, including ad hoc Committees, if deemed appropriate or necessary.

**13.2 Appointment**

From among its members the Board appoints the Committee members and the respective Chairpersons.

**13.3 Responsibilities and authorities**

Based on articles 24 and 26 of the AoA, the Board delegates certain responsibilities and authorities to the Committees pursuant to the annexes to these ORs. The overall responsibility for such delegated competences remains with the Board.

# Executive Board

## 14 Delegation

**14.1 Delegation of management**

The Board delegates the executive management of UBS AG as set out in section 2.1(ii).

**14.2 Further delegation by the EB**

The President of the EB and the EB may further delegate certain responsibilities and authorities and may empower further delegation of such responsibilities and authorities. Such delegations must be in writing, and clear rules on responsibilities, authorities and accountabilities must be established. Specific responsibilities and authorities delegated by the EB to an EB Committee will be set forth in a resolution adopted or a charter approved by the EB.

**14.3 Time-critical matters**

The EB will establish arrangements to ensure that decisions are made in a time-critical business matter, should the responsible EB member be unable to act.

## 15 Executive Board

**15.1 Composition and appointment**

Under the leadership of the President of the EB, the EB is comprised of the members detailed in sections 16 to 23 of these ORs and such further EB members as appointed by the Board upon proposal of the President of the EB.

**15.2 Responsibilities and authorities**

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. This includes, but is not limited to, developing and implementing UBS AG strategies approved by the Board and which take into account the Group's strategies, budgeting, planning and resource allocation, and evaluating and monitoring business performance. This also includes ensuring the efficient use of the financial resources of UBS AG in accordance with Group guidelines, policies and governance over intra-divisional treasury allocations.

The EB develops, implements and maintains an appropriate and adequate business organization designed to ensure compliance with applicable laws and regulations and an appropriate management information system.

The EB is also responsible for ensuring effective management and coordination of issues on behalf of UBS AG which arise from interactions and interdependencies between UBS AG and all entities of the Group or UBS AG and the BDs or GF. Notwithstanding this, the legal independence of UBS AG and the provisions of applicable local laws, rules and regulations must be observed to the extent legally required.

**15.3 EB as risk council**

The EB acts as the risk council of UBS AG. It has overall responsibility for establishing and implementing risk management and control within UBS AG. It manages the risk profile of UBS AG as determined by the Board and the RC and is supported by the FRC. The EB determines its requirements for risk reporting, including improvements and changes to the reports, and receives periodic updates on risk data limitations.

**15.4 Preparation of Board decisions**

Where proposals for decisions must be made to the Board, the EB prepares such proposals and supports the Board in its decision-making process.

**15.5 Further duties**

The EB is furthermore responsible for all management matters not reserved under the AoA or the ORs to any other person or Corporate Body.

**15.6 Meetings, agenda and notice period**

The EB meets at least once every month or as appropriate. The agenda must be sent to the EB members at least five calendar days prior to the date of the EB meeting together with all necessary supporting material. In time-critical cases, an EB meeting (called by the President of the EB as required or at the request of one EB member addressed to the President of the EB) may be held and the supporting material may be sent on shorter notice. EB meetings are chaired by the President of the EB or, if absent, by the nominated deputy President of the EB. EB meetings may be held in person or by audio or video conference.

**15.7 Quorum of attendance**

The presence, either in person or by audio or video conference, of a majority of the EB members is required to pass valid EB resolutions.

**15.8 Quorum of resolutions**

The resolutions of the EB are passed by the majority of the votes of the EB members present. The President of the EB has the power to overrule any EB resolution. If the President of the EB exercises this power, he must inform the Chairman as well as the EB immediately.

**15.9 Minutes of EB meetings**

Minutes are taken of all EB meetings. They contain all resolutions made by the EB. The minutes are sent to all EB members and to the Chairman. Board members may inspect the EB minutes in accordance with section 8. Section 6.9 applies mutatis mutandis to the EB minutes.

**15.10 Circular resolutions**

With respect to circular resolutions of the EB, sections 7.4 and 7.5 apply mutatis mutandis.

**15.11 Matters requiring immediate attention**

With regard to matters which require immediate attention, and if it is not feasible to convene an audio or video conference or to proceed by circular resolution within the time available, the President of the EB may, together with two other EB members, make decisions, which have the effect of EB resolutions. EB members who could not be reached in time must be informed together with the Chairman as soon as possible. Section 7.5 applies mutatis mutandis to such resolutions.

**15.12 Assessment**

At least annually the President of the EB assesses the performance of the EB. Such a review seeks to determine whether the EB functions effectively and efficiently. In light of the annual assessment, the President of the EB must consider whether any changes should be made to the composition of the EB.

**15.13 Further duties of EB members**

In addition, to the responsibilities for each GEB member set out below, further details of the responsibilities and key authorities delegated to the EB members are set out in the annexes to these ORs and the relevant Business Regulations or terms of reference.

## 16 President of the Executive Board

**16.1 Appointment**

The President of the EB is appointed by the Board upon proposal of the Chairman.

**16.2 Function, substitution**

The President of the EB is the highest executive officer of UBS AG and has responsibility and accountability for the management and performance of UBS AG. The President of the EB nominates a deputy from within the EB, who is confirmed by the Board. The deputy President of the EB shall temporarily exercise all responsibilities and authorities if the President of the EB should be incapacitated or unavailable to exercise the function as President of the EB.

**16.3 Main responsibilities and authorities**

The President of the EB has the overall day-to-day management responsibility for UBS AG. In particular, he is responsible for:

(i) convening and presiding over the EB meetings;
(ii) leading the business and strategic planning and forecasting;
(iii) the financial results of UBS AG;
(iv) exercising all authorities allocated to UBS AG which are not otherwise delegated;
(v) providing regular updates on the business to the Group CEO, as required;
(vi) effective management of UBS AG's financial resources, people, infrastructure and risks; and
(vii) ensuring effective collaboration with the Group.

The President of the EB assumes a leading role in preparing the Board's consideration of UBS AG's strategy, risk and compensation principles. Together with the Chairman, he has the responsibility for UBS AG's reputation.

**16.4 Right to overrule decisions**

The President of the EB has an all-encompassing right to information about and examination of all matters handled in the business. He has the power to overrule any decisions made by any management body, including any resolution by the EB (see section 15.8).

**16.5 Reporting to the Board**

The President of the EB ensures that the Chairman and the Board are kept informed in a timely and appropriate manner on all matters falling within the scope of their responsibilities as well as important business developments, issues or decisions taken by the EB in particular with regard to matters which may have a material financial, operational or reputational impact on UBS AG.

Further, the President of the EB (either personally or through any other EB member) regularly informs the Board on:
(i) key performance indicators and other relevant financial data of UBS AG;
(ii) existing and emerging risks, issues and mitigating measures;
(iii) updates on developments in important markets and on peers; and
(iv) information on all issues which may affect the supervisory or control function of the Board.

**16.6 Reporting by EB members**

Each member of the EB detailed in sections 17 to 23 below reports directly to the President of the EB and the relevant function within the Group and shall inform the President of the EB or EB as appropriate of material matters and key developments within the scope of their responsibilities. The Functional Heads have an obligation to advise the Chairman and relevant Committees on significant issues arising in the field of their responsibilities.

# 17 Chief Financial Officer

**17.1 Responsibilities and authorities**

The CFO has in particular the following responsibilities:
(i) managing UBS AG's financial accounting, controlling, forecasting, planning and reporting processes;
(ii) ensuring transparency in and assessing the financial performance of UBS AG;
(iii) developing UBS AG's inorganic strategy in collaboration with the EB and supporting the EB members in mergers and acquisitions, as well as equity investment topics, by monitoring the progress of key inorganic growth initiatives;
(iv) managing and controlling UBS AG's tax affairs, treasury and capital management, including funding and liquidity risk, and UBS AG's regulatory capital ratios;
(v) ensuring asset and liability management by balancing consumption of UBS AG's financial resources;
(vi) consulting with the AC to make proposals to the Board regarding the standards for accounting to be adopted by UBS AG and defining the standards for financial reporting and disclosure; and
(vii) under the supervision of the AC, coordinating the working relationships with the external auditors.

# 18 Chief Digital and Information Officer

**18.1 Responsibilities and authorities**

The CDIO has in particular the following responsibilities:
(i) formulating the approach, objectives, financial and execution plans for the CDIO area in support of the BDs and GF operating out of UBS AG;
(ii) driving digitalization, delivering IT services, tools and infrastructure, including cyber protection and IT security, in line with the needs of the BDs and GF operating out of UBS AG;
(iii) overseeing the prioritization of the technology enabled change initiatives;
(iv) directing and governing all IT development and engineering management activities;
(v) supplying real estate infrastructure and general administrative services to UBS AG;
(vi) directing and controlling all supply and demand management activities, supporting UBS AG with its third-party risk and sourcing strategies and managing UBS AG's near-/offshore, outsourcing and supplier-related processes; and
(vii) delivering shared operational services, maintaining and overseeing UBS AG's crisis management operations and providing data governance.

## 19 Chief Risk Officer

**19.1 Responsibilities and authorities**

The CRO has in particular the following responsibilities:
(i) the development of UBS AG's risk management and control framework (including risk principles and risk appetite) for the credit, market, country, liquidity, funding, model and environmental and social risk categories, as well as the implementation of independent control frameworks for these risk categories, on the basis of and in accordance with the framework approved by the Board, including:
  (a) risk measurement, aggregation, portfolio controls and risk reporting; and
  (b) taking decisions on transactions, positions, exposures, portfolio limits and allowances in accordance with the risk control authorities delegated to the CRO; and
(ii) monitoring and challenging UBS AG's risk-taking activities for the risk categories under CRO responsibility.

## 20 General Counsel

**20.1 Responsibilities and authorities**

The GC has in particular the following responsibilities:
(i) managing UBS AG's legal affairs and ensuring effective and timely assessment of legal matters impacting UBS AG or its businesses;
(ii) providing the legal advice required by UBS AG; and
(iii) management and reporting of all litigation and other significant contentious matters, including all legal proceedings which involve UBS AG.

## 21 Chief Compliance and Governance Officer

**21.1 Responsibilities and authorities**

The CCGO has in particular the following responsibilities:
(i) developing UBS AG's risk management and control framework (including taxonomies and risk appetite) for non-financial risks as well as implementing the independent control frameworks for these risks;
(ii) developing UBS AG's governmental policy and regulatory approach;
(iii) coordinating external governmental and regulatory relations and overseeing important regulatory matters, including key regulatory change programs across UBS AG;
(iv) managing the firm's new business governance process;
(v) developing global and local recovery and resolution plans and defining adequate resolvability improvement measures;
(vi) developing UBS AG's organization and legal entity structure, as well as corporate governance standards; and
(vii) governing UBS AG's internal and external investigations portfolio and performing important investigations.

## 22 Regional Presidents

**22.1 Responsibilities and authorities**

The Regional Presidents have in particular the following responsibilities:
(i) cross-divisional collaboration; and
(ii) representing UBS AG to the broader public in their region.

## 23 Divisional Presidents

**23.1 Responsibilities and authorities**

The Divisional Presidents have in particular the following responsibilities:
(i) proposing BD strategies in line with the UBS AG and Group strategy taking into account input from the Regional Presidents;
(ii) the operation and management of their BD; and
(iii) controlling and administering the dedicated financial resources, risk appetite, people and infrastructure of the BD.

# 24 Committees

**24.1 EB Committees**

Pursuant to section 14.2 the EB establishes
(i) the ALCO; and
(ii) the FRC
as permanent EB Committees.

**24.2 Composition**

The composition is specified in dedicated terms of reference for each EB Committee.

**24.3 Appointment**

The appointment is specified in dedicated terms of reference for each EB Committee.

**24.4 Responsibilities and authorities**

The EB Committees have the responsibilities and authorities as set out in the terms of reference of the respective committee:
(i) the ALCO is responsible for managing UBS AG's assets and liabilities in line with the UBS AG and Group strategy and regulatory requirements;
(ii) the FRC is responsible for supervising and controlling UBS AG's business, financial and risk profile of the overall UBS AG standalone as well as the entity's business activities in Switzerland and cross-jurisdictional branch-related matters, in line with the UBS AG and Group strategy and regulatory requirements. The FRC is also responsible for ensuring the financial and risk profile of UBS AG standalone complies with the agreed risk appetite, by ascertaining that appropriate and timely actions are taken.

**24.5 Meetings and resolutions**

The sections 15.6 to 15.12 apply mutatis mutandis.

**24.6 Reporting**

The EB Committees report to the EB.

# Internal Audit

## 25 Scope, responsibilities, authorities and reporting

**25.1 Scope**

IA is the internal audit function for UBS AG.

**25.2 Responsibilities**

IA independently, objectively and systematically assesses in particular the:

(i) soundness of UBS AG's risk and control culture;

(ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and

(iii) design, operating effectiveness and sustainability of:

  (a) processes to define strategy and risk appetite as well as the overall adherence to the approved strategy;

  (b) governance processes;

  (c) risk management, including whether risks are appropriately identified and managed;

  (d) internal controls, specifically whether they are commensurate with the risks taken;

  (e) remediation activities; and

  (f) processes to comply with legal and regulatory requirements, internal policies, and UBS AG's constitutional documents and contracts.

IA also conducts special audits at the request of the AC, or other Board members, Committees or the President of the EB in consultation with the AC.

**25.3 Charter**

Details of the role, responsibilities and authorities of IA are set out in the charter for Group IA. The charter is also to be endorsed by the Board for its applicability to UBS AG.

**25.4 Access rights**

IA possesses unrestricted auditing rights within UBS AG; it has access at all times to all accounts, books, records, systems, property and personnel to fulfill its auditing responsibilities. The IA Executive UBS AG has open, direct and unrestricted access to the Chairman, the RC and the AC, as well as to the President of the EB.

**25.5 Independence**

IA is independent in determining its activities, in particular when defining audit scope and executing audit engagements. IA reports are not subject to any instructions or restrictions, and its authority to audit is unrestricted.

## 26 IA Executive UBS AG

**26.1 Reporting**

The IA Executive UBS AG reports directly to the Chairman. In addition, the IA Executive UBS AG has a functional reporting line to the AC, as well as to the Head Group IA, as set forth in the AC charter.

The IA Executive UBS AG must inform the AC of the results of the annual internal audit plan and the status of annual internal audit objectives and must be in regular contact with the AC.

**26.2 Appointment**

The IA Executive UBS AG is appointed by the Board in consultation with the Chairman and the AC, based on a proposal by the Head Group IA.

# Special provisions

## 27 Authority to sign

**27.1 In general**

Signing in the name of UBS AG requires two authorized signatures to be binding. Any employee of UBS AG having one of the following ranks or functions is authorized to sign, jointly with another authorized signatory, on behalf of UBS AG:
(i) the Chairman and each of the Vice Chairmen;
(ii) each of the EB members;
(iii) the IA Executive UBS AG and the Company Secretary;
(iv) each of the Managing Directors, Executive Directors and Directors or senior employees with equivalent ranks;
(v) each of the Associate Directors (including "Prokuristen," as applicable); and
(vi) for specified locations, each of the Authorized Officers (including "Handlungsbevollmächtigte," as applicable).

**27.2 Signing policy**

The GC issues a signing policy for UBS AG, specifying all details, including the scope of signature authorities and possible extensions, exceptions to the joint signature authority principle, and the possibility for signatories of the Group to sign on behalf of UBS AG. In addition, UBS AG Entities establish their own rules, according to mandatory provisions of local laws, rules and regulations.

## 28 Form of signature

**28.1 Signature form**

All authorized signatories sign by adding their signature to the name of the legal entity on whose behalf they act.

## 29 Conduct of Board and EB members

**29.1 Duty of care and loyalty**

Each member of the Board and the EB is under a duty to carry out their responsibilities with due care and to safeguard and further the interests of UBS AG and of all of its shareholders.

**29.2 Conflicts of interest**

The Board and EB members must arrange their personal and business affairs, including their affairs with regard to a related person or company, so as to avoid, as much as possible, an actual, perceived or potential conflict of interest.

**29.3 Disclosure of conflict of interest**

Each Board member must disclose to the Chairman, and each EB member must disclose to the President of the EB, any conflict of interest generally arising or relating to any matter to be discussed at a meeting, as soon as the Board or EB member becomes aware of its existence.

**29.4 Procedural measures**

Unless exceptional circumstances dictate that in the best interests of UBS AG a Board or EB member with a conflict of interest shall not participate in the discussions and decision-making involving the interest at stake, the Board or EB member with a conflict of interest shall participate in discussions and:
(i) a double vote (a vote with and a vote without the conflicted individual) shall take place;
(ii) a binding decision on the matter requires the same outcome in both votes;
(iii) the Chairman or the President of the EB must advise the respective Corporate Body of the conflict of interest; and
(iv) the existence of the conflict must be recorded in the meeting minutes.

In the event of doubt, the Chairman or the President of the EB shall request the respective Corporate Body to determine whether a conflict of interest or exceptional circumstances exist.

**29.5 Duty of confidentiality**

Except for information already in the public domain, each Board and EB member shall handle all information relating to UBS AG learned during the performance of their duties with the utmost discretion at all times. Such information may only be disclosed to third parties with prior written clearance from the Chairman or the President of the EB. This obligation and duty continues even after the term of office of the Board or EB member has expired for as long as the relevant information remains confidential.

**29.6 Benefits of Board and EB members**

If a Board or EB member becomes aware of the fact that they may receive a financial or non-financial benefit other than any salary, remuneration or other benefit from UBS AG, as a result of employment with UBS AG, that person must:

(i) promptly inform the Board, in the case of a Board member or the President of the EB; and

(ii) promptly inform the President of the EB, in the case of an EB member other than the President of the EB.

## 30 Entry into force, amendments

**30.1 Entry into force**

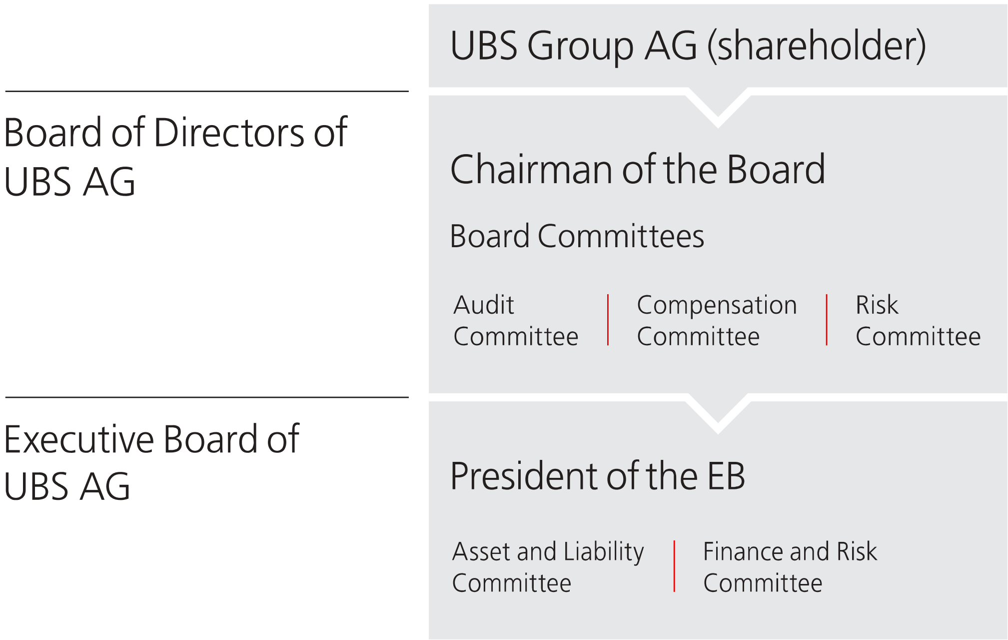
These ORs replace the former regulations of 1 April 2020 governing the internal organization of UBS AG and come into effect on 14 February 2022, based on a Board resolution of UBS AG dated 9 September 2021.

**30.2 Amendments**

These ORs may be amended by the Board only with the approval of FINMA.

# Annex A – *Organizational chart of UBS AG*

# Organizational chart of UBS AG



# Annex B – *Charter of the Committees of the Board*

# Contents

# Introduction

## 1 Basis and purpose

**1.1 Basis**

This Committees' charter is enacted by the Board pursuant to articles 716–716b CO, articles 24 and 26 of the AoA and sections 5.9 and 13.3 of the ORs.

**1.2 Purpose**

The purpose of this Committees' charter is to set out the objectives, composition and responsibilities of the permanent Board Committees, being:
(i) the Audit Committee;
(ii) the Compensation Committee; and
(iii) the Risk Committee.

# Membership and constitution

## 2 Number of Committee members and their independence

| | | |
|---|---|---|
| **2.1** | **Minimum number of Committee members** | Each Committee must have at least three Committee members. |
| **2.2** | **Independence** | Each Committee must consist of members of the Board, and all members of each Committee must be independent as defined by section 3.2 of the ORs.<br><br>At least one member of the RC must also be a member of the Compensation Committee. |
| **2.3** | **Presence of the Chairman** | The Chairman may, in consultation with the relevant Chairperson, attend the meetings of Committees as a non-voting guest. |

## 3 Constitution

| | | |
|---|---|---|
| **3.1** | **Appointment and removal by the Board** | The Chairperson and the Committee members are appointed pursuant to section 4.3 of the ORs, and the Board may remove any Committee member or any Chairperson at any time. Should a vacancy arise on any Committee, even if the minimum number of Committee members pursuant to section 2.1 of this Committees' charter is still met, the Board may appoint the missing member from among its members for the remaining term of office. |

# Responsibilities and authorities

## 4 Delegation of responsibilities and authorities

**4.1 In general**

Pursuant to section 13.3 of the ORs, the Committees have the responsibilities and authorities set out in the annexes to the ORs.

## 5 Audit Committee

**5.1 In general**

The function of the AC is to support the Board in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions as well as of whistleblowing procedures.

Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The AC's responsibility is one of oversight and review.

**5.2 Responsibilities and authorities**

The AC's responsibilities and authorities are to:

(i) Financial statements:
- (a) monitor the integrity of the financial statements and any announcements related to financial performance, and review significant financial reporting judgements contained in them, before recommending their approval to the Board;
- (b) advise the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- (c) review the organization and completeness of the financial-reporting process including UBS AG's internal control system and procedures as they relate to the integrity of the financial statements, taking into account the reports provided by the EB, the external auditors, IA, regulators or other information as determined by the Committee to be appropriate;
- (d) review management's SOX 404 report in relation to internal controls over financial reporting;
- (e) review significant accounting policies and practices, and compliance with accounting standards; and
- (f) review arrangements for compliance with UBS AG's legal, regulatory and other requirements (including tax matters) as they relate to the integrity of the financial statements or financial report;

(ii) External audit:
- (a) oversee the relationship with and assess the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner; support the Board in reaching a decision in relation to the appointment, reappointment or dismissal of the external auditors and the rotation of the lead audit partner;
- (b) approve the engagement letter of the external auditors, including the scope of the audit and the fees and terms for the planned audit work;
- (c) oversee all audit and permitted non-audit services provided by the external auditors and establish such policies as the Committee deems appropriate;
- (d) annually review the external auditors' summary of adjusted and unadjusted differences; and
- (e) review the regulatory audit plan and the results of regulatory audits;

(iii) IA:
  (a) monitor and assess the effectiveness, independence and performance of the IA Executive UBS AG and IA;
  (b) approve IA's annual audit plan and objectives including subsequent important amendments;
  (c) monitor IA's discharge of its annual audit objectives; and
  (d) order special audits to be conducted either by IA or by mandating third parties and review and approve such request from other Board members, Committees or the President of the EB;

(iv) Whistleblowing and investigations:
  (a) review the effectiveness of the firm's whistleblowing policies and procedures and ensure that appropriate whistleblowing mechanisms are in place;
  (b) review on a quarterly basis the levels of new and pending whistleblowing cases and reports on complaints made regarding accounting, auditing or other matters;
  (c) review on a quarterly basis reports on internal investigations; and
  (d) conduct or direct any investigation, including the retention of external advisors and consultants (at UBS AG's expense), as it considers necessary to discharge its responsibilities; and

(v) Human Resources:
  (a) annually provide input on the performance of the CFO, GC, CRO and CCGO to the President of the EB; and
  (b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the CFO.

# 6 Compensation Committee

**6.1 In general**

The function of the Compensation Committee is to support the Board in its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance.

**6.2 Responsibilities and authorities**

The Compensation Committee's responsibilities and authorities are to:

(i) Compensation strategy and principles:
  (a) periodically review the compensation strategy and principles and propose any material changes to the Board for approval; and
  (b) evaluate the effectiveness of pay for performance results of UBS AG;

(ii) EB performance targets and objectives:
  (a) propose, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the President of the EB for approval by the Board;
  (b) review, upon proposal of the President of the EB, the performance framework for the other EB members; and
  (c) inform the Board of the President of the EB's financial and non-financial performance targets and objectives, as well as the performance framework for the other EB members;

(iii) EB performance assessments:
  (a) propose upon proposal of the Chairman, the President of the EB's performance assessment for approval by the Board;
  (b) propose upon proposal of the President of the EB the performance assessments of the other EB members for approval by the Board; and
  (c) inform the Board of the performance assessments of all EB members, including the President of the EB;

(iv) Compensation framework and plans:
  (a) approve key features of the compensation framework and plans for the non-independent Board members and EB members;
  (b) be informed of key features of the compensation framework and plans for employees other than EB members;
  (c) approve key terms of any new or amended compensation plans or other compensation arrangements with a material financial, reputational or strategic impact or significant use of UBS Group AG shares;
  (d) be informed of key terms of any new or amended pension and benefit plans with a material financial, reputational or strategic impact;
  (e) approve the share ownership policy for EB members; and
  (f) propose, upon proposal of the Chairman, the remuneration/fee framework for independent Board members for approval by the Board.

(v) Compensation governance:
   (a) approve key terms for material individual variations to standard employment and termination agreements for non-independent Board members and, upon proposal of the Chairman, for the President of the EB and, upon proposal of the President of the EB, for other EB members;
   (b) approve the engagement of and fees for any external advisors/consultants retained by the Compensation Committee; considering factors relevant to the advisors' independence from management;
   (c) approve material public disclosures on UBS AG compensation matters;
   (d) meet with the RC annually to ensure that the compensation framework supports appropriate risk awareness and management as well as appropriate risk-taking; and
   (e) be informed of major regulatory developments, shareholder initiatives and best practices in executive compensation;
(vi) Other compensation competences:
   (a) for employees within UBS AG, approve the aggregated and/or total individual compensation of certain employees (including independent control functions) based on regulatory requirements; and
   (b) review business performance and other variables that impact annual variable compensation; and
(vii) Other competences related to specific regulatory requirements:
   (a) review and approve the Remuneration Policy Statement to be submitted annually to the PRA;
   (b) review and approve as appropriate any information provided to UBS AG shareholders with respect to the approval of the ratio between variable and fixed compensation for employees in the European Union; and
   (c) make recommendations as appropriate where it becomes aware of any event or matter that would justify the operation of malus or clawback for UBS AG London Branch staff in accordance with compensation plan rules.

# 7 Risk Committee

**7.1 In general**

The function of the RC is to oversee and support the Board in fulfilling its duty to supervise and set an appropriate risk management and control framework in the areas of:
(i) financial and non-financial risks; and
(ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution.

The RC considers the potential effects of the aforementioned risks on UBS AG's reputation.

**7.2 Responsibilities and authorities**

The RC's responsibilities and authorities are to:
(i) Risk management and control:
   (a) review and propose to the Board the guiding principles and framework for risk management and control (including risk appetite, delegation of risk authorities and major risk limits) relative to UBS AG's operations, assess management's respective proposals and recommend any required changes to the Board;
   (b) review and approve the risk appetite (including objectives and binding scenarios) relative to UBS AG's activities and risk profiles, including allocation of responsibilities within the risk management and control framework;
   (c) review and propose to the Board the risk, capital, liquidity and funding, and balance sheet section of the annual report of UBS AG;
   (d) periodically assess the appropriateness of major policies and procedures adopted by the EB relating to the risk management and control of significant risks;
   (e) review and make recommendations to the Board based on proposals from the EB in relation to material risk limits and periodically review allocations and authority levels relating to those limits. Material risk limits include those relating to portfolios, concentrations, products, sectors or other categories relevant to the strategy, risk profile and risk capacity of UBS AG as approved by the Board;
   (f) review and approve the principal characteristics of UBS AG's risk measurement framework (including changes thereto) used to identify, model, measure, monitor and report risks;
   (g) monitor and oversee the risk profile of UBS AG within the context of the Board-determined risk profile, risk capacity and limit structure;
   (h) systematically review high-risk areas of UBS AG and assess the effectiveness of the steps taken by the EB to manage or mitigate such risks;
   (i) review and assess the asset and liability management framework, liquidity and funding;

(j) review regulatory framework reforms affecting areas within the scope of the RC's mandate and recommend any required changes to the Board;
(k) consider UBS AG's strategy to deal with anticipated or existing high-level risks and assist the Board by reviewing and assessing management's proposals in relation to strategy;
(l) review management's assessments of UBS AG's non-financial risk exposures and related risk-oriented activity plans;
(m) periodically review material communications (including formal assessments) between UBS AG and its principal regulators;
(n) review projects and remediation activities (as determined by the RC) undertaken by the management to address critical changes to the risk management/control environment; and
(o) periodically meet with the Compensation Committee to ensure that the compensation framework appropriately reflects risk awareness and management, and ensures appropriate risk-taking;

(ii) Risk reporting:
(a) determine risk reporting requirements that allow for an effective oversight by the RC and communicate changes to report owners if reporting requirements are not met or change;
(b) review risk reports, including reports from management that assess the likelihood of risks materializing, the monitoring of emerging trends via forecasts or stress tests, the adequacy and appropriateness of the internal controls to manage those risks and that contain agreed measures to reduce risks or deal with specific risk situations including stress situations; and

(c) receive periodic updates on limitations that prevent full risk data aggregation in the risk reports; and

(iii) Human Resources:
(a) annually provide input on the performance of the CRO, CFO, GC and CCGO to the President of the EB; and
(b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the CRO and the CCGO.

# 8 Further responsibilities and authorities

**8.1 Further responsibilities and authorities**

The Board may entrust further powers and duties to the Committees by Board resolution.

# 9 Delegation to a member or subcommittee

**9.1 Further delegation by the Committees**

Each Committee may delegate some of its tasks to one of its members or to a subcommittee comprised of two or more of its members. Such delegations shall be recorded in the Committee's minutes and the Chairman must be informed.

# 10 Information rights

**10.1 Committees**

In accordance with the procedure set out in section 8.4 of the ORs, each Committee may request any relevant information or special reports from any EB member or IA on matters relating to its respective responsibilities set out in this Committees' charter.

**10.2 Committee members**

For the information rights of each Board member, see section 8 of the ORs.

# 11 Meeting with third parties

**11.1 Meeting with third parties**

The Committees may, in performing their duties, take advice from and meet as a body with third parties. In consultation with the President of the EB, they may meet with regulators. The Chairperson shall inform the Chairman accordingly.

# Meetings and resolutions of the Committees

## 12 Meetings

**12.1 Number of meetings**

Each Committee meets as often as its business requires, but at least four times a year for the AC, the Compensation Committee and the RC.

The AC and RC hold at least four joint meetings a year.

The Compensation Committee and RC periodically hold joint meetings.

**12.2 Request, invitation, agenda, notice period, chair and format**

Committee meetings, including joint meetings, are called and held in compliance with the rules set out in the ORs (sections 6.2 to 6.5 and 6.7 of the ORs to be applied mutatis mutandis).

**12.3 Presence of third parties at Committee meetings**

Each Chairperson may, on their own motion or upon request of any Committee member or the Chairman, invite EB members, as well as other persons, to attend Committee meetings. The President of the EB will be informed accordingly.

**12.4 Special rules for the AC**

The AC holds Committee meetings:
(i) normally with the participation of the IA Executive UBS AG, representatives of the external auditors, the President of the EB, the CFO and the Controller and Chief Accounting Officer; and
(ii) periodically, only with the participation of the IA Executive UBS AG, the external auditors, or with members of management, or a combination of any of the aforementioned.

**12.5 Special rules for the RC**

Generally, the President of the EB, the CFO, the CRO, the GC, the CCGO, the IA Executive UBS AG and representatives of the external auditors participate (to the extent necessary) in each meeting of the RC. The invitation of other persons is at the discretion of the RC.

**12.6 Resolutions**

Resolutions are passed by an absolute majority of the Committee members present; in case of a tie, the decision is passed on to the Board and decided in accordance with section 7.2 of the ORs. Sections 7.2 to 7.4 of the ORs apply mutatis mutandis with regard to circular resolutions.

**12.7 Minutes**

The minutes of Committee meetings, including joint meetings, must fulfill the conditions set out in sections 6.8, 6.9 and 7.5 of the ORs and be distributed to the Chairman.

## 13 Resolutions and information rights

**13.1 Resolutions and information rights**

Sections 7, 8.2, 8.3 and 8.4 of the ORs apply mutatis mutandis to the decision-making process and the information rights of the Committees and the Committee members.

# Reporting

## 14 Regular reporting

**14.1 In general**

Each Chairperson ensures that the Chairman and the Board are kept informed in a timely and appropriate manner. Each Chairperson (either personally or through another Committee member) regularly reports to the Board at the Board meetings on the current activities of their Committee and on important Committee issues, including all matters falling within the duties and responsibilities of the Board, namely:

(i) proposals for resolutions to be considered, or other action to be taken by the Board;
(ii) resolutions and decisions made by the Committee and the material considerations that led to such resolutions and decisions; and
(iii) activities and important findings of the Committee.

**14.2 Submitting of proposals and recommendations**

Each Chairperson submits, in writing, the proposals and resolutions mentioned in sections 14.1(i) and (ii) of this annex to the Board unless such proposals are contained in the Committee minutes; the remaining reporting is generally done orally.

**14.3 Annual reporting of the Committees**

Each Committee annually submits a report to the Board, detailing the activities of the Committee during the previous twelve months.

## 15 Special reporting

**15.1 AC**

Following the completion of the audit and the annual financial statements, the AC Chairperson submits annually to the Chairman, for the attention of the Board:

(i) the AC's assessment of the qualification, independence and performance of the external auditors;
(ii) the AC's assessment of the design of UBS AG's internal control system for financial reporting and the coordination and interaction between IA and the external auditors; and
(iii) a recommendation regarding the audited financial statements in UBS AG's annual report.

# Special provisions

## 16 Confidentiality

**16.1 Special rule**

The deliberations of the Compensation Committee are handled with the utmost discretion and are to be communicated outside of the Committee only to the extent permitted by the Chairperson. The Chairman is exempted with regard to the confidentiality of deliberations.

## 17 Self-assessment and adequacy review

**17.1 Self-assessment and adequacy review**

Each Committee reviews the adequacy of its charter at regular intervals, but at least annually, and recommends to the Board any changes considered to be necessary or appropriate. For the self-assessment, section 9 of the ORs is to be applied mutatis mutandis.

**Exhibit 2(d)**

# UBS GROUP AG AND UBS AG

# DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

**Table of Contents**

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## Description of the Corporation’s Ordinary Shares

*The following summary of UBS Group AG’s (the “Corporation”) ordinary shares is based on and qualified by the Corporations Restated Articles of Association. For a complete description of the terms and provisions of the Company’s equity securities, including its common stock, refer to the Articles of Association of which are filed as exhibits to this Annual Report on Form 20-F. Throughout this exhibit, references to “we,” “our,” “us” and “the Company” refer to the Corporation.*

### General

At year-end 2021, UBS Group AG had 3,702,422,995 issued shares with a par value of CHF 0.10 each, leading to a share capital of CHF 370,242,299.50.

Registered shares of the Corporation are in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Intermediated Securities Act). The shares of the Corporation are listed on the NYSE as global registered shares. As such, the shares can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

Following a shareholder’s registration in the share register, the shareholder may request the Corporation to issue a written statement in respect of his registered shares at any time; however, he has no entitlement to the printing and delivery of share certificates. In contrast, the Corporation may print and deliver share certificates for registered shares (single certificates, certificates representing multiples of shares or global certificates) at any time. It may withdraw registered shares issued as intermediary-held securities from the respective custody system. With the consent of the shareholder, the Corporation may cancel issued certificates which are returned to it without replacement.

### Dividend Rights and Dividends

Shareholders are entitled to the dividends or other distributions approved by UBS Group’s general meeting in proportion to their shareholdings.

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained as general reserves until such time as said reserve amounts to 20% of the share capital. Any net profits remaining are, subject to the provisions of the Swiss Code of Obligations and of the Swiss Federal Banking Act, at the disposal of the shareholders’ meeting, except that, if an annual dividend exceeds 5% of the nominal share capital, then 10% of such excess must be retained as general reserves, unless such corporation qualifies as a holding company.

Under Swiss law, dividends may be paid out only if the corporation has sufficient distributable profits from previous business years or if the reserves of the corporation are sufficient to allow distribution of a dividend. In either event, dividends may be paid out only after approval by the shareholders’ meeting. The Board of Directors (BoD) may propose to the shareholders that a dividend be paid out. The auditors must confirm that the dividend proposal of the BoD conforms with statutory law.

Dividends are usually due and payable after the shareholders’ resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years.

U.S. registered holders of shares will receive dividend payments in U.S. dollars, unless they provide notice to UBS Group’s U.S. transfer agent, Computershare, that they wish to receive dividend payments in Swiss francs. The U.S. transfer agent will be responsible for paying the U.S. dollars or Swiss francs to registered holders, and for withholding any required amounts for taxes or other governmental charges. If the U.S. transfer agent determines, after consultation with UBS Group, that in its judgment any foreign currency received by it cannot be converted into U.S. dollars or transferred to U.S. holders, it may distribute the foreign currency received by it, or an appropriate document evidencing the right to receive such currency, or in its discretion hold such foreign currency for the accounts of U.S. holders.

### Voting Rights

Each share conveys the right to cast one vote. Swiss law distinguishes between registration with and without voting rights. Shareholders must be registered in the share register as shareholders with voting rights in order to vote and participate in general meetings or to assert or exercise other rights related to voting rights.

Resolutions and elections are decided at the General Meeting by an absolute majority of the votes cast, excluding blank and invalid ballots, subject to the Articles of Association and the compulsory provisions of the law. For the approval of certain specific issues, the Swiss Code of Obligations requires a positive vote from a two-thirds majority of the votes represented at the given general meeting, and from an absolute majority of the nominal value of shares represented thereat. Such issues include creating shares with privileged voting rights, introducing restrictions on the transferability of registered shares, conditional and authorized capital increases and restricting or excluding shareholders’ preemptive rights.

A resolution to change Article 19 of the Articles of Association, to remove one fourth or more of the members of the BoD or to delete or modify Article 17 paragraph 2 of the Articles of Association must receive at least two thirds of the votes represented.

### Board of Directors

The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting.

Members whose term of office has expired are immediately eligible for re-election.

**Liquidation Rights**

In the event of liquidation of UBS Group’s assets, shareholders are entitled to a proportional share after all debts have been paid.

**Preemption Rights**

Under Swiss law, any share issue, whether for cash or non-cash consideration or for no consideration, is subject to the prior approval of the shareholders’ meeting. Shareholders of a Swiss corporation have certain preemptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. The Articles of Association or a resolution adopted at a shareholders’ meeting with a supermajority of at least two-thirds of the votes represented and an absolute majority of the nominal value of the shares represented at the meeting may, however, limit or suspend preemptive rights in certain limited circumstances.

## Description of Debt Securities We May Offer

*Please note that in this section entitled "Description of Debt Securities We May Offer," references to UBS, we, our and us refer only to UBS AG and not to its consolidated subsidiaries. Also, in this section, references to "holders" and "you" mean those who own debt securities registered in their own names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled "Legal Ownership and Book-Entry Issuance."*

*References herein to "this prospectus" are deemed to refer to this section "Medium-Term Notes, Series A" and references to "your prospectus supplement" are deemed to refer to the individual description of notes issuances contained below in this exhibit.*

### The Debt Indenture

As required by U.S. federal law for publicly offered bonds and notes, the debt securities are governed by a document called an indenture. The debt indenture is a contract between us and U.S. Bank Trust National Association, which acts as trustee.

The trustee has two main roles:

- First, the trustee can enforce your rights against us if we default. There are limitations on the extent to which the trustee acts on your behalf, which we describe below under "—Default, Remedies and Waiver of Default."
- Second, the trustee performs administrative duties for us, such as sending you interest payments and notices.

See "—Our Relationship with the Trustee" below for more information about the trustee.

### We May Issue Many Series of Debt Securities Under the Debt Indenture

We may issue as many distinct series of debt securities under the debt indenture as we wish. This section summarizes terms of the debt securities that apply generally to all series. The provisions of the debt indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under the debt indenture, but also to "reopen" a previous issue of a series of debt securities and issue additional debt securities of that series. Most of the financial and other specific terms of your series, will be described in the prospectus supplement accompanying this prospectus. Those terms may vary from the terms described here.

We may issue debt securities separately or together with other debt securities.

As you read this section, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between your prospectus supplement and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.

When we refer to a series of debt securities, we mean a series issued under the debt indenture. When we refer to your prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in your prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

Unless we indicate otherwise in your prospectus supplement, the debt securities we issue to you will be part of the series of debt securities referred to as our "medium-term notes, Series A." The Series A notes are a single distinct series under the debt indenture, and we may issue Series A notes in such amounts, at such times and on such terms as we wish. The Series A notes will differ from one another, and from any other series, in their terms, but all of the Series A notes together will constitute a single series for all purposes under the debt indenture pursuant to which they will be issued.

### Amounts That We May Issue

The debt indenture does not limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. We have already issued Series A notes, many of which are currently outstanding. We intend to issue additional Series A notes, and may issue additional Series A notes at any time, without your consent and without notifying you. We may also issue debt securities and other securities at any time without your consent and without notifying you.

The debt indenture and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities.

### Principal Amount, Stated Maturity and Maturity

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount.

The term "stated maturity" with respect to any debt security means the day on which the principal amount of your debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the "maturity" of the principal.

We also use the terms "stated maturity" and "maturity" to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the "stated maturity" of that installment.

When we refer to the "stated maturity" or the "maturity" of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

**This Section Is Only a Summary**

The debt indenture and its associated documents, including your debt security, contain the full legal text governing the matters described in this section and your prospectus supplement. We have filed a copy of the debt indenture with the SEC as an exhibit to our registration statement. See "Where You Can Find More Information" above for information on how to obtain a copy.

This section and your prospectus supplement summarize all the material terms of the debt indenture and your debt security. They do not, however, describe every aspect of the debt indenture and your debt security. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the debt indenture, but we describe the meaning of only the more important of those terms.

**Governing Law**

The debt indenture is, and the debt securities will be, governed by New York law.

**Currency of Debt Securities**

Amounts that become due and payable on your debt security in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your prospectus supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a "specified currency." The specified currency for your debt security will be U.S. dollars, unless your prospectus supplement states otherwise. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency to UBS Securities LLC, UBS Financial Services Inc. or another firm that we name in your prospectus supplement, unless other arrangements have been made between you and us or you and that firm. We will make payments on your debt securities in the specified currency, except as described below in "—Payment Mechanics for Debt Securities." See "Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency" below for more information about risks of investing in this kind of debt securities.

**Co-obligation of UBS Switzerland AG**

UBS Switzerland AG is fully, unconditionally and irrevocably liable, jointly and severally, with UBS AG, for UBS AG's obligations under and with respect to the debt securities with respect to the due and punctual payment of the principal of and any premium, interest and other amounts payable on, under or in respect of such securities and the due performance and observance of every covenant of the indenture to be performed or observed by UBS AG with respect to such securities.

The obligations of UBS Switzerland AG as a co-obligor are primary and not merely those of a surety. UBS Switzerland AG waives the right to require holders to proceed first against UBS AG and UBS Switzerland AG shall be subrogated to all rights of the holder of a security of a series against UBS AG in respect of any amounts paid to such holder by it pursuant to the terms of the indenture.

**Types of Debt Securities**

We may issue any of the three types of debt securities described below. A debt security may have elements of each of the three types of debt securities described below. For example, a debt security may bear interest at a fixed rate for some periods and at a floating rate in others. Similarly, a debt security may provide for a payment of principal at maturity linked to an index and also bear interest at a fixed or floating rate.

*Fixed Rate Debt Securities*

A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount. See "—Original Issue Discount Debt Securities" below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the security has been converted or exchanged. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. We will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under "—Payment Mechanics for Debt Securities."

*Floating Rate Debt Securities*

**Interest Rate Formulas.** A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified below.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described below under "—Payment Mechanics for Debt Securities."

**Calculation of Interest.** Calculations relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as UBS Securities LLC. The prospectus supplement for a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. Absent manifest error, all determinations of the calculation will be final and binding on you and us, without any liability on the part of the calculation agent.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period—*i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security—and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, *e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include UBS AG or its affiliates.

**Indexed Debt Securities**

A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- securities of one or more issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or
- one or more indices or baskets of the items described above.

If you are a holder of an indexed debt security, you may receive an amount at maturity (including upon acceleration following an event of default) that is greater than or less than the face amount of your debt security depending upon the formula used to determine the amount payable and the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the underlying property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder's option. Some indexed debt securities may be convertible, exercisable or exchangeable, at our option or the holder's option, into or for securities of an issuer other than UBS AG.

If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index and about the terms on which the security may be settled physically or in cash. The prospectus supplement will also identify the calculation agent that will calculate the amounts payable with respect to the indexed debt security and may exercise significant discretion in doing so. The calculation agent may be UBS Securities LLC or another of our affiliates. See "Considerations Relating to Indexed Securities" for more information about risks of investing in debt securities of this type.

**Original Issue Discount Debt Securities**

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount debt security may be a zero coupon debt security. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity. See "U.S. Tax Considerations—Taxation of Debt Securities— Original Issue Discount" below for a brief description of the U.S. federal income tax consequences of owning an original issue discount debt security.

**Information in Your Prospectus Supplement**

Your prospectus supplement will describe the specific terms of your debt security, which will include some or all of the following:

- any limit on the total principal amount of the debt securities of the same series;
- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date;
- whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security;
- if your debt security is a fixed rate debt security, the yearly rate at which your debt security will bear interest, if any, and the interest payment dates;
- if your debt security is a floating rate debt security, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial base rate, maximum rate or minimum rate; the interest reset, determination, calculation and payment dates; the day count used to calculate interest payments for any period; the business day convention; and the calculation agent;
- if your debt security is an indexed debt security, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and the terms on which your debt security will be exchangeable for or payable in cash, securities or other property;
- if your debt security may be converted into or exercised or exchanged for debt or equity securities of one or more third parties, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of securities issuable upon conversion, exercise or exchange may be adjusted;
- if your debt security is also an original issue discount debt security, the yield to maturity;
- if applicable, the circumstances under which your debt security may be redeemed at our option or repaid at the holder's option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s);
- the authorized denominations, if other than $1,000 and integral multiples of $1,000;
- the depositary for your debt security, if other than DTC, and any circumstances under which the holder may request securities in non-global form, if we choose not to issue your debt security in book-entry form only;
- if your debt security will be issued in bearer form, any special provisions relating to bearer securities;
- if applicable, the circumstances under which we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes and under which we can redeem the debt securities if we have to pay additional amounts;
- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for your debt security, as applicable; and
- any other terms of your debt security, which could be different from those described in this prospectus.

If you purchase your debt security—or any of our other securities we describe in this prospectus—in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which we, UBS Securities LLC, UBS Financial Services Inc. or another of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular security occurs after the original issuance and sale of the security.

### Extension of Maturity

If specified in the applicable prospectus supplement, we will have the option to extend the stated maturity of your debt security for one or more periods of whole years up to but not beyond the final maturity date specified in the prospectus supplement. We call a debt security whose maturity we may extend an extendible debt security. We call the period of time as to which we may extend the maturity the extension period. The following procedures will apply to extendible debt securities, unless otherwise indicated in the applicable prospectus supplement.

We may extend the maturity of an extendible debt security by notifying the paying agent between 45 and 60 days before the stated maturity then in effect. The stated maturity may be the original stated maturity, as described in the prospectus supplement, or a maturity that we previously extended by following these procedures. If we notify the paying agent that we will extend the maturity, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed upon between us and the paying agent, at least 30 days before the stated maturity then in effect. The notice sent by the paying agent will provide the following information:

- our election to extend the maturity of the extendible debt security;
- the extended maturity date or, if the maturity date had previously been extended, the new extended maturity date;
- the interest rate that will apply during the extension period or, in the case of a floating rate debt security, the spread and/or spread multiplier, if any, applicable during the extension period; and
- the provisions, if any, for redemption and repayment during the extension period.

Once the paying agent has mailed the notice to each holder, the extension of the maturity date will take place automatically. All of the terms of the debt security will be the same as the terms of the debt security as originally issued, except those terms that are described in the notice sent by the paying agent to each holder and except as described in the following paragraph.

Not later than 10:00 a.m., New York City time, on the twentieth calendar day before the maturity date then in effect for an extendible debt security or, if that day is not a business day, on the next succeeding business day, we may revoke the interest rate set forth in the extension notice sent by the paying agent to each holder and establish a higher interest rate for the extension period. If we elect to establish a higher interest rate, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed between us and the paying agent, of the higher interest rate in the case of a floating rate debt security, the higher spread and/or spread multiplier, if any. The notice of the higher rate cannot be revoked. All extendible debt securities as to which the maturity date has been extended will bear the higher rate for the extension period, whether or not tendered for repayment.

If we elect to extend the maturity date of an extendible debt security, each holder may elect repayment of all or part of its debt security on the maturity date then in effect at a price equal to the principal amount plus any accrued and unpaid interest to that date. To elect repayment, a holder must give notice to the paying agent between 25 and 35 days before the maturity date in effect. The notice must consist of either:

- the debt security along with the completed form entitled "Option to Elect Repayment," which will be attached to your debt security.
- a telegram, facsimile transmission or letter from a member of a national securities exchange, the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder, the principal amount of the debt security, the principal amount of the debt security to be repaid, the certificate number or a description of the tenor and terms of the debt security, a statement that the option to elect repayment is being elected and a guarantee that the debt security, together with the completed form entitled "Option to Elect Repayment" will be received by the paying agent no later than the fifth business day after the date of the telegram, facsimile transmission or letter. The telegram, facsimile transmission or letter will become effective upon receipt, by that fifth business day, of the debt security and complete form.

The holder may revoke the election of repayment by sending to the paying agent written notice by 3:00 p.m., New York City time, on the twentieth day before the maturity date then in effect or, if that day is not a business day, on the next succeeding business day.

If an extendible debt security is represented by a global debt security, the depositary or its nominee, as the holder, will be the only person that can exercise the right to elect repayment or revoke such an election. Any indirect owners who own beneficial interests in the global debt security and wish to make such an election must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to make a repayment election or revoke such an election on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

### Redemption and Repayment

Unless otherwise indicated in your prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund—that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity (except for certain tax reasons, as described below) unless your prospectus supplement specifies a redemption date or redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless your prospectus supplement specifies one or more repayment dates.

If your prospectus supplement specifies one or more redemption dates, a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If your prospectus supplement specifies one or more redemption dates, your debt security will be redeemable at our option on any of those dates. If your prospectus supplement specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If your prospectus supplement specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any debt security, we will give the trustee and the holders written notice of the principal amount of the debt security to be redeemed, not less than 5 business days nor more than 60 days before the applicable redemption date unless otherwise specified in your prospectus supplement. We will give the notice in the manner described below in "—Notices."

If a debt security represented by a global debt security is subject to repayment at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or cancelled.

**Optional Tax Redemption**

In addition to the situations described above under "—Redemption and Repayment," we also have the option to redeem the debt securities in two situations described below, unless otherwise indicated in your prospectus supplement. The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified below. Furthermore, we must give you between 10 and 60 days' notice before redeeming the debt securities unless otherwise specified in your prospectus supplement.

- The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts as described below under "—Payment of Additional Amounts."

  This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date specified in the prospectus supplement for the applicable debt securities and in a relevant jurisdiction, as defined in "—Payment of Additional Amounts" below. If UBS is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor.

  We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

- The second situation is where a person located outside of a relevant jurisdiction into which UBS is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the debt securities even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

**Payment of Additional Amounts**

A relevant jurisdiction may require UBS to withhold amounts from payments on the principal or interest on a debt security for taxes or any other governmental charges. If the relevant jurisdiction requires a withholding of this type, UBS may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled.

By relevant jurisdiction, we mean Switzerland or a jurisdiction in which the UBS branch through which debt securities are issued is located. UBS will not have to pay additional amounts in respect of taxes or other governmental charges that are required to be deducted or withheld by any paying agent from a payment on a debt security, if such payment can be made without such deduction or withholding by any other paying agent, or in respect of taxes or other governmental charges that would not have been imposed but for

- the existence of any present or former connection between you and the relevant jurisdiction, other than the mere holding of the debt security and the receipt of payments on it;
- any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;
- a failure to comply with any reasonable certification, documentation, information or other reporting requirement concerning your nationality, residence, identity or connection with the relevant jurisdiction, if such compliance is required as a precondition to relief or exemption from such taxes or other governmental charges (including, without limitation, a certification that you are not resident in the relevant jurisdiction or are not an individual resident of a member state of the European Union);
- any taxes which would not have been imposed but for your presentation, or a presentation on your behalf, of a debt security payment on a date more than 15 days after the date on which such payment on the debt security becomes due and payable or on which the payment is duly provided for, whichever occurs later; or
- any combination of the items listed above.

In addition, no additional amounts will be required to be paid on account of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (as defined below under "U.S. Tax Considerations"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to UBS is organized. The prospectus supplement relating to the debt security may describe additional circumstances in which UBS would not be required to pay additional amounts.

**Mergers and Similar Transactions**

We are generally permitted to merge or consolidate with another firm. We are also permitted to sell our assets substantially as an entirety to another firm. With regard to any series of debt securities, we may not take any of these actions, however, unless all the following conditions are met:

- If the successor firm in the transaction is not UBS, the successor firm must be organized as a corporation, partnership or trust and must expressly assume our obligations under the debt securities of that series and the debt indenture. The successor firm must be organized under the laws of Switzerland.
- Immediately after the transaction, no default under the debt securities of that series has occurred and is continuing. For this purpose, "default under the debt securities of that series" means an event of default with respect to that series or any event that would be an event of default with respect to that series if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under "—Default, Remedies and Waiver of Default."

If the conditions described above are satisfied with respect to the debt securities of any series, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another firm or sell our assets substantially as an entirety to another firm. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another firm, any transaction that involves a change of control of UBS but in which we do not merge or consolidate and any transaction in which we sell less than substantially all our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor firm is a non-Swiss entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences to the debt securities.

**Defeasance and Covenant Defeasance**

If indicated in the applicable prospectus supplement for a debt security, the provisions for full defeasance and covenant defeasance described below will apply to that debt security. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

*Full Defeasance*

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on your debt security. This is called full defeasance. To do so, each of the following must occur:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.

- There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt securities would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security.
- We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defease your debt security, you would have to rely solely on the trust deposit for payments on your debt security. You would not be able to look to us for payment in the event of any shortfall.

*Covenant Defeasance*

Under current U.S. federal tax law, we can make the same type of deposit described above and be released from any restrictive covenants relating to your debt security that may be described in your prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must do both of the following:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.
- We must deliver to the trustee a legal opinion of our counsel confirming that under U.S. federal income tax law as then in effect we may make the above deposit without causing you to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the debt indenture and your debt security would no longer apply:

- Any covenants that your prospectus supplement may state are applicable to your debt security; and
- The events of default resulting from a breach of covenants, described below in the fourth bullet point under "—Default, Remedies and Waiver of Default—Events of Default."

Any right we have to redeem will survive covenant defeasance with regard to those debt securities.

If we accomplish covenant defeasance on your debt security, you can still look to us for repayment of your debt security in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and payable, there may be a shortfall. Depending on the event causing the default you may not be able to obtain payment of the shortfall.

**Default, Remedies and Waiver of Default**

You will have special rights if an event of default with respect to your series of debt securities occurs and is not cured, as described in this subsection.

*Events of Default*

Unless your prospectus supplement says otherwise, when we refer to an event of default with respect to any series of debt securities, we mean any of the following:

- We do not pay the principal or any premium (including delivering any security or other property deliverable) on any debt security of that series at its maturity;
- We do not pay interest on any debt securities of that series within 30 days after it becomes due and payable;
- We do not deposit a sinking fund payment with regard to any debt securities of that series on its due date, but only if the payment is required in the applicable prospectus supplement;
- We remain in breach of any other covenant we make in the debt indenture for the benefit of the debt securities of that series, for 60 days after we receive a notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the trustee or the holders of not less than 10% in principal amount of the relevant series of debt securities then outstanding;
- We file for bankruptcy or certain other bankruptcy, insolvency or reorganization events relating to UBS occur; or
- If the applicable prospectus supplement states that any additional event of default applies to your series, that event of default occurs.

*Remedies If an Event of Default Occurs*

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of all debt securities of that series then outstanding may declare the entire principal amount of the debt securities of that series to be due immediately. If an event of default occurs because of bankruptcy, insolvency or reorganization events relating to UBS, the entire principal amount of the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. The trustee will be obligated to use those of its rights and powers under the debt indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the debt indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee with respect to that series. These majority holders may also direct the trustee in performing any other action under the debt indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security, all of the following must occur:

- The holder of your debt security must give the trustee written notice that an event of default has occurred, and the event of default must not have been cured or waived.
- The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after the above steps have been taken.
- During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of all debt securities of your series.

You are, however, entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

*Waiver of Default*

The holders of not less than a majority in principal amount of the debt securities of any series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your debt security, however, without the approval of the particular holder of that debt security.

*We Will Give the Trustee Information About Defaults Annually*

We will furnish to the trustee every year a written statement of two of our officers certifying that to their knowledge we are in compliance with the debt indenture and the debt securities, or else specifying any default under the debt indenture.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity of the debt securities. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance.”

**Modification and Waiver of Covenants**

There are three types of changes we can make to the debt indenture and the debt securities of any series.

*Changes Requiring Each Holder’s Approval*

First, there are changes that cannot be made without the approval of each holder of a debt security affected by the change. Here is a list of those types of changes:

- change the stated maturity for any principal or interest payment on a debt security;
- reduce the principal amount, the amount payable on acceleration of the maturity after a default, the interest rate or the redemption price for a debt security;
- permit redemption of a debt security if not previously permitted;
- impair any right a holder may have to require repayment of his or her debt security;
- impair any right that a holder of an indexed or any other debt security may have to exchange or convert the debt security for or into securities or other property;
- change the currency of any payment on a debt security other than as permitted by the debt security;
- change the place of payment on a debt security, if it is in non-global form;
- impair a holder’s right to sue for payment of any amount due on his or her debt security;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the approval of whose holders is needed to change the debt indenture or those debt securities;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the consent of whose holders is needed to waive our compliance with the debt indenture or to waive defaults; and

- change the provisions of the debt indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of each affected debt security.

*Changes Not Requiring Approval of Holders*

The second type of change does not require any approval by holders of the debt securities of an affected series. This type of change is limited to clarifications and changes that would not adversely affect the debt securities of that series in any material respect. We also do not need any approval to make changes that affect only debt securities to be issued under the debt indenture after the changes take effect.

We may also make changes or obtain waivers that do not adversely affect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

*Changes Requiring Majority Approval*

Any other change to the debt indenture and the debt securities would require the following approval:

- If the change affects only the debt securities of a particular series, it must be approved by the holders of 66⅔% in principal amount of the debt securities of that series.
- If the change affects the debt securities of more than one series of debt securities issued under the debt indenture, it must be approved by the holders of 66⅔% in principal amount of all series affected by the change, with the debt securities of all the affected series voting together as one class for this purpose (and of any affected series that by its terms is entitled to vote separately as a series, as described below).

In each case, the required approval must be given by written consent.

Majority approval would be required for us to obtain a waiver of any of our covenants in the debt indenture. Our covenants include the promises we make about merging, which we describe above under "—Mergers and Similar Transactions." If the holders approve a waiver of a covenant, we will not have to comply with that covenant. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the debt indenture as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described above under "—Changes Requiring Each Holder's Approval," unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the debt indenture or the debt securities or request a waiver.

**Special Rules for Action by Holders**

When holders take any action under the debt indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

*Only Outstanding Debt Securities Are Eligible*

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be "outstanding":

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its holder, money for its payment or redemption;
- if we have fully defeased it as described above under "—Defeasance and Covenant Defeasance—Full Defeasance"; or
- if we or one of our affiliates, such as UBS Securities LLC or UBS Financial Services Inc., is the beneficial owner.

*Special Series Voting Rights*

We may issue series of debt securities that are entitled, by their terms, to vote separately on matters (for example, modification or waiver of provisions in the debt indenture) that would otherwise require a vote of all affected series, voting together as a single class. Any such series would be entitled to vote together with all other affected series, voting together as one class, and would also be entitled to vote separately, as a series only. These special voting rights will be described in the applicable prospectus supplement. For a series that does not have these special rights, voting will occur as described in the preceding section, but subject to any separate voting rights of any series having special rights. We may issue a series having these or other special voting rights without obtaining the consent of or giving notice to holders of outstanding series.

*Eligible Principal Amount of Some Debt Securities*

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency, increases over time or is not to be fixed until maturity. For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

- For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default.

- For a debt security whose principal amount is not known, we will use any amount that we indicate in the prospectus supplement for that debt security. The principal amount of a debt security may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date.
- For debt securities with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

*Determining Record Dates for Action by Holders*

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the debt indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depositary from time to time. Accordingly, record dates for global debt securities may differ from those for other debt securities.

**Form, Exchange and Transfer of Debt Securities**

We will issue each debt security in global—*i.e.*, book-entry—form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depositary, which will be the holder of all the debt securities represented by the global security. Those who own beneficial interests in a global debt security will do so through participants in the depositary's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants. We describe book-entry securities below under "Legal Ownership and Book-Entry Issuance." Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities in global form.

In addition, we will generally issue each debt security in registered form, without coupons, unless we specify otherwise in the applicable prospectus supplement. If we issue a debt security in bearer form, the applicable prospectus supplement will describe the provisions that would apply to that security.

If a debt security is issued as a global debt security, only the depositary—*e.g.*, DTC, Euroclear and Clearstream—will be entitled to transfer and exchange the debt security or exercise any other rights of a holder as described in this subsection, since the depositary will be the sole holder of the debt security.

If any debt securities cease to be issued in global form, then unless we indicate otherwise in your prospectus supplement, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your prospectus supplement, in denominations of $1,000 and integral multiples of $1,000.

Holders may exchange their debt securities for debt securities of smaller denominations (subject to the limit above) or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. You may not exchange your debt securities for securities of a different series or having different terms, unless your prospectus supplement says you may.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed or mutilated debt securities at that office. We have appointed the trustee to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities of any series are redeemable and we redeem less than all those debt securities, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing or during any other period specified in the applicable prospectus supplement, in order to freeze the list of holders who will receive the mailing. We may also refuse to register transfers of or exchange any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

The rules for exchange described above apply to exchanges of debt securities for other debt securities of the same series and kind. If a debt security is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the applicable prospectus supplement.

**Payment Mechanics for Debt Securities**

**Who Receives Payments?**

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date described below relating to the interest payment date. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment (or, in the case of a global debt security, in accordance with the applicable policies of the depositary).

**Payment Dates and Regular Record Dates for Interest**

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semiannually each May 15 and November 15 and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will be the May 1 or November 1 next preceding that interest payment date. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply whether or not a particular record date is a business day. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

The term “business day” means, for any debt security, a day that meets all the following applicable requirements:

- for all debt securities, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close and that satisfies any other criteria specified in your prospectus supplement;
- if the debt security is a floating rate debt security whose interest rate is based on LIBOR, is also a day on which dealings in the relevant index currency specified in the applicable prospectus supplement are transacted in the London interbank market;
- if the debt security has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency;
- if the debt security either is a floating rate debt security whose interest rate is based on EURIBOR or has a specified currency of euros, is also a day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System, or any successor system, is open for business;
- if the debt security is held through Euroclear, is also not a day on which banking institutions in Brussels, Belgium are generally authorized or obligated by law, regulation or executive order to close; and
- if the debt security is held through Clearstream, is also not a day on which banking institutions in Luxembourg are generally authorized or obligated by law, regulation or executive order to close.

**How We Will Make Payments Due in U.S. Dollars**

We will follow the practices described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

**Payments on Global Debt Securities.** We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will pay directly to the depositary, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner’s right to receive those payments will be governed by the rules and practices of the depositary and its participants, as described under “Legal Ownership and Book-Entry Issuance—What Is a Global Security?”

**Payments on Non-Global Debt Securities.** We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee’s records as of the close of business on the regular record date. We will make all other payments by check at the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds—that is, in funds that become available on the day after the check is cashed.

Alternatively, if a non-global debt security has a face amount of at least $1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.

**How We Will Make Payments Due in Other Currencies**

We will follow the practices described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

**Payments on Global Debt Securities.** We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. We understand that these policies, as currently in effect at DTC, are as follows:

Unless otherwise indicated in your prospectus supplement, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and you do make that election, you must notify the participant through which your interest in the global debt security is held of your election:

- on or before the applicable regular record date, in the case of a payment of interest, or
- on or before the 16th day prior to stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

You may elect to receive all or only a portion of any interest, principal or premium payment in a specified currency other than U.S. dollars.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by you or your participant with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under "—Conversion to U.S. Dollars." We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect holders of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

**Payments on Non-Global Debt Securities.** Except as described in the second to last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the debt indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Indirect owners of a non-global debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

**Conversion to U.S. Dollars.** When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as described above, we will determine the U.S. dollar amount the holder receives as follows. The exchange rate agent described below will request currency bid quotations expressed in U.S. dollars from three or, if three are not available, then two, recognized foreign exchange dealers in New York City, any of which may be the exchange rate agent, which may be UBS Securities LLC, an affiliate of UBS, as of 11:00 A.M., New York City time, on the second business day before the payment date. Currency bid quotations will be requested on an aggregate basis, for all holders of debt securities requesting U.S. dollar payments of amounts due on the same date in the same specified currency. The U.S. dollar amount the holder receives will be based on the highest acceptable currency bid quotation received by the exchange rate agent. If the exchange rate agent determines that at least two acceptable currency bid quotations are not available on that second business day, the payment will be made in the specified currency.

To be acceptable, a quotation must be given as of 11:00 A.M., New York City time, on the second business day before the due date and the quoting dealer must commit to execute a contract at the quotation in the total amount due in that currency on all series of debt securities. If some but not all of the relevant debt securities are LIBOR debt securities or EURIBOR debt securities, the second preceding business day will be determined for this purpose as if none of those debt securities were LIBOR debt securities or EURIBOR debt securities.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

**When the Specified Currency Is Not Available.** If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us or cannot be paid to you due to circumstances beyond our control—such as the imposition of exchange controls or a disruption in the currency markets—we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis specified in the applicable prospectus supplement.

For a specified currency other than U.S. dollars, the exchange rate will be the noon buying rate for cable transfers of the specified currency in New York City as quoted by the Federal Reserve Bank of New York on the then-most recent day on which that bank has quoted that rate.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the debt indenture.

**Exchange Rate Agent.** If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may select UBS Securities LLC or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be at its sole discretion unless we state in your prospectus supplement that any determination is subject to our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

### Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Unless specified otherwise in the applicable prospectus supplement, payments postponed to the next business day in this situation will be treated under the debt indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the debt indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under "—Payment Dates and Regular Record Dates for Interest."

### Paying Agent

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify the trustee of changes in the paying agents.

### Settlement Mechanics

The settlement mechanics applicable to debt securities calling for physical settlement will be described in the applicable prospectus supplement.

### Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

### Notices

Notices to be given to holders of a global debt security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive notices.

### Our Relationship with the Trustee

U.S. Bank Trust National Association has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, U.S. Bank Trust National Association holds debt securities issued by us and serves as trustee or agent with regard to other obligations of UBS or its subsidiaries.

U.S. Bank Trust National Association is serving as the trustee for the debt securities and the warrants issued under our warrant indenture. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, and we would be required to appoint a successor trustee. For this purpose, a "potential" event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

## Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered securities issued in global—i.e., book-entry—form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

### Who is The Legal Owner of a Registered Security?

Each debt security or warrant in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee, warrant agent or other agent maintain for this purpose, as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

### Book-Entry Owners

We will issue each security in book-entry form only. This means securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture or warrant agreement, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

### Street Name Owners

In the future we may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

**Legal Holders**

Our obligations, as well as the obligations of the trustee and the obligations, if any, of any warrant agents and any other third parties employed by us, the trustee or any of those agents, run only to the holders of the securities. We do not have obligations to investors who hold indirect interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of debt securities or warrants or the warrant agreement for a series of warrants or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture—we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to "you" in this prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to "your securities" in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

**Special Considerations for Indirect Owners**

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell warrant property under a warrant or to exchange or convert a security for or into other property;
- how it would handle a request for the holders' consent, if ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

**What Is a Global Security?**

We will issue each security in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the "depositary" for that security. A security will usually have only one depositary but it may have more.
Each series of securities will have one or more of the following as the depositaries:

- The Depository Trust Company, New York, New York, which is known as "DTC";
- a financial institution holding the securities on behalf of Morgan Guaranty Trust Company of New York, acting out of its Brussels, Belgium, office, as operator of the Euroclear system, which is known as "Euroclear";
- a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, which is known as "Clearstream"; and

- any other clearing system or financial institution named in the applicable prospectus supplement. The depositaries named above may also be participants in one another's systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants.

The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated." As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under "—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated." If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

**Special Considerations for Global Securities**

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security. If securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot require the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below.

- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under "—Who Is the Legal Owner of a Registered Security?"

- An investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

- The depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and any warrant agents will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We, the trustee and any warrant agents also do not supervise the depositary in any way.

- The depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well.

- Financial institutions that participate in the depositary’s book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

**Holder’s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated**

If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner’s bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under “—Who Is the Legal Owner of a Registered Security?”

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days; or

- in the case of a global security representing debt securities or warrants issued under an indenture, if an event of default has occurred with regard to these debt securities or warrants and has not been cured or waived.

If a global security is terminated, only the depositary, and not we, the trustee for any debt securities or warrants or the warrant agent for any warrants, is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

**Considerations Relating to Euroclear and Clearstream**

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC’s rules and procedures.

**Special Timing Considerations for Transactions in Euroclear and Clearstream**

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

## Description of Debt Securities We May Offer

*Please note that in this section entitled "Description of Debt Securities We May Offer," references to UBS, we, our and us refer only to UBS AG and not to its consolidated subsidiaries. In particular, the debt securities are obligations solely of UBS AG, and not of any of its subsidiaries, including, without limitation, UBS Switzerland AG. Also, in this section, references to "holders" and "you" mean those who own debt securities registered in their own names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled "Legal Ownership and Book-Entry Issuance."*

*References herein to "this prospectus" are deemed to refer to this section "Medium-Term Notes, Series B" and references to "your prospectus supplement" are deemed to refer to the individual description of notes issuances contained below in this exhibit.*

### The Debt Indenture

As required by U.S. federal law for publicly offered bonds and notes, the debt securities are governed by a document called an indenture. The debt indenture is a contract between us and U.S. Bank Trust National Association, which acts as trustee.

The trustee has two main roles:

- First, the trustee can enforce your rights against us if we default. There are limitations on the extent to which the trustee acts on your behalf, which we describe below under "—Default, Remedies and Waiver of Default."
- Second, the trustee performs administrative duties for us, such as sending you interest payments and notices.

See "—Our Relationship with the Trustee" below for more information about the trustee.

### We May Issue Many Series of Debt Securities Under the Debt Indenture

We may issue as many distinct series of debt securities under the debt indenture as we wish. This section summarizes terms of the debt securities that apply generally to all series. The provisions of the debt indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under the debt indenture, but also to "reopen" a previous issue of a series of debt securities and issue additional debt securities of that series. Most of the financial and other specific terms of your series, will be described in the prospectus supplement accompanying this prospectus. Those terms may vary from the terms described here.

We may issue debt securities separately or together with other debt securities.

As you read this section, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between your prospectus supplement and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.

When we refer to a series of debt securities, we mean a series issued under the debt indenture. When we refer to your prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in your prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

Unless we indicate otherwise in your prospectus supplement, the debt securities we issue to you will be part of the series of debt securities referred to as our "medium-term notes, Series B." The Series B notes are a single distinct series under the debt indenture, and we may issue Series B notes in such amounts, at such times and on such terms as we wish. The Series B notes will differ from one another, and from any other series, in their terms, but all of the Series B notes together will constitute a single series for all purposes under the debt indenture pursuant to which they will be issued.

### Amounts That We May Issue

The debt indenture does not limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. We have already issued Series B notes, many of which are currently outstanding. We intend to issue additional Series B notes, and may issue additional Series B notes at any time, without your consent and without notifying you. We may also issue debt securities and other securities at any time without your consent and without notifying you.

The debt indenture and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities.

### Principal Amount, Stated Maturity and Maturity

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount.

The term “stated maturity” with respect to any debt security means the day on which the principal amount of your debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the “maturity” of the principal.

We also use the terms “stated maturity” and “maturity” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity” of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

**This Section Is Only a Summary**

The debt indenture and its associated documents, including your debt security, contain the full legal text governing the matters described in this section and your prospectus supplement. We have filed a copy of the debt indenture with the SEC as an exhibit to our registration statement. See “Where You Can Find More Information” above for information on how to obtain a copy.

This section and your prospectus supplement summarize all the material terms of the debt indenture and your debt security. They do not, however, describe every aspect of the debt indenture and your debt security. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the debt indenture, but we describe the meaning of only the more important of those terms.

**Governing Law**

The debt indenture is, and the debt securities will be, governed by New York law.

**Currency of Debt Securities**

Amounts that become due and payable on your debt security in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your prospectus supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “specified currency.” The specified currency for your debt security will be U.S. dollars, unless your prospectus supplement states otherwise. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency to UBS Securities LLC, UBS Financial Services Inc. or another firm that we name in your prospectus supplement, unless other arrangements have been made between you and us or you and that firm. We will make payments on your debt securities in the specified currency, except as described below in “—Payment Mechanics for Debt Securities.” See “Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency” below for more information about risks of investing in this kind of debt securities.

**Types of Debt Securities**

We may issue any of the three types of debt securities described below. A debt security may have elements of each of the three types of debt securities described below. For example, a debt security may bear interest at a fixed rate for some periods and at a floating rate in others. Similarly, a debt security may provide for a payment of principal at maturity linked to an index and also bear interest at a fixed or floating rate.

*Fixed Rate Debt Securities*

A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount. See “—Original Issue Discount Debt Securities” below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the security has been converted or exchanged. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. We will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under “—Payment Mechanics for Debt Securities.”

*Floating Rate Debt Securities*

**Interest Rate Formulas.** A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified below.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described below under "—Payment Mechanics for Debt Securities."

**Calculation of Interest.** Calculations relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as UBS Securities LLC. The prospectus supplement for a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. Absent manifest error, all determinations of the calculation will be final and binding on you and us, without any liability on the part of the calculation agent.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period—*i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security—and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, *e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include UBS AG or its affiliates.

*Indexed Debt Securities*

A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- securities of one or more issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or
- one or more indices or baskets of the items described above.

If you are a holder of an indexed debt security, you may receive an amount at maturity (including upon acceleration following an event of default) that is greater than or less than the face amount of your debt security depending upon the formula used to determine the amount payable and the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the underlying property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder's option. Some indexed debt securities may be convertible, exercisable or exchangeable, at our option or the holder's option, into or for securities of an issuer other than UBS AG.

If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index and about the terms on which the security may be settled physically or in cash. The prospectus supplement will also identify the calculation agent that will calclate the amounts payable with respect to the indexed debt security and may exercise significant discretion in doing so. The calculation agent may be UBS Securities LLC or another of our affiliates. See "Considerations Relating to Indexed Securities" for more information about risks of investing in debt securities of this type.

**Original Issue Discount Debt Securities**

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount debt security may be a zero coupon debt security. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity. See "U.S. Tax Considerations—Taxation of Debt Securities— Original Issue Discount" below for a brief description of the U.S. federal income tax consequences of owning an original issue discount debt security.

**Information in Your Prospectus Supplement**

Your prospectus supplement will describe the specific terms of your debt security, which will include some or all of the following:

- any limit on the total principal amount of the debt securities of the same series;
- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date;
- whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security;
- if your debt security is a fixed rate debt security, the yearly rate at which your debt security will bear interest, if any, and the interest payment dates;
- if your debt security is a floating rate debt security, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial base rate, maximum rate or minimum rate; the interest reset, determination, calculation and payment dates; the day count used to calculate interest payments for any period; the business day convention; and the calculation agent;
- if your debt security is an indexed debt security, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and the terms on which your debt security will be exchangeable for or payable in cash, securities or other property;
- if your debt security may be converted into or exercised or exchanged for debt or equity securities of one or more third parties, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of securities issuable upon conversion, exercise or exchange may be adjusted;
- if your debt security is also an original issue discount debt security, the yield to maturity;
- if applicable, the circumstances under which your debt security may be redeemed at our option or repaid at the holder's option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s);
- the authorized denominations, if other than $1,000 and integral multiples of $1,000;
- the depositary for your debt security, if other than DTC, and any circumstances under which the holder may request securities in non-global form, if we choose not to issue your debt security in book-entry form only;
- if your debt security will be issued in bearer form, any special provisions relating to bearer securities;
- if applicable, the circumstances under which we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes and under which we can redeem the debt securities if we have to pay additional amounts;
- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for your debt security, as applicable; and
- any other terms of your debt security, which could be different from those described in this prospectus.

If you purchase your debt security—or any of our other securities we describe in this prospectus—in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which we, UBS Securities LLC, UBS Financial Services Inc. or another of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular security occurs after the original issuance and sale of the security.

**Extension of Maturity**

If specified in the applicable prospectus supplement, we will have the option to extend the stated maturity of your debt security for one or more periods of whole years up to but not beyond the final maturity date specified in the prospectus supplement. We call a debt security whose maturity we may extend an extendible debt security. We call the period of time as to which we may extend the maturity the extension period. The following procedures will apply to extendible debt securities, unless otherwise indicated in the applicable prospectus supplement.

We may extend the maturity of an extendible debt security by notifying the paying agent between 45 and 60 days before the stated maturity then in effect. The stated maturity may be the original stated maturity, as described in the prospectus supplement, or a maturity that we previously extended by following these procedures. If we notify the paying agent that we will extend the maturity, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed upon between us and the paying agent, at least 30 days before the stated maturity then in effect. The notice sent by the paying agent will provide the following information:

- our election to extend the maturity of the extendible debt security;
- the extended maturity date or, if the maturity date had previously been extended, the new extended maturity date;
- the interest rate that will apply during the extension period or, in the case of a floating rate debt security, the spread and/or spread multiplier, if any, applicable during the extension period; and
- the provisions, if any, for redemption and repayment during the extension period.

Once the paying agent has mailed the notice to each holder, the extension of the maturity date will take place automatically. All of the terms of the debt security will be the same as the terms of the debt security as originally issued, except those terms that are described in the notice sent by the paying agent to each holder and except as described in the following paragraph.

Not later than 10:00 a.m., New York City time, on the twentieth calendar day before the maturity date then in effect for an extendible debt security or, if that day is not a business day, on the next succeeding business day, we may revoke the interest rate set forth in the extension notice sent by the paying agent to each holder and establish a higher interest rate for the extension period. If we elect to establish a higher interest rate, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed between us and the paying agent, of the higher interest rate in the case of a floating rate debt security, the higher spread and/or spread multiplier, if any. The notice of the higher rate cannot be revoked. All extendible debt securities as to which the maturity date has been extended will bear the higher rate for the extension period, whether or not tendered for repayment.

If we elect to extend the maturity date of an extendible debt security, each holder may elect repayment of all or part of its debt security on the maturity date then in effect at a price equal to the principal amount plus any accrued and unpaid interest to that date. To elect repayment, a holder must give notice to the paying agent between 25 and 35 days before the maturity date in effect. The notice must consist of either:

- the debt security along with the completed form entitled “Option to Elect Repayment,” which will be attached to your debt security.
- a telegram, facsimile transmission or letter from a member of a national securities exchange, the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder, the principal amount of the debt security, the principal amount of the debt security to be repaid, the certificate number or a description of the tenor and terms of the debt security, a statement that the option to elect repayment is being elected and a guarantee that the debt security, together with the completed form entitled “Option to Elect Repayment” will be received by the paying agent no later than the fifth business day after the date of the telegram, facsimile transmission or letter. The telegram, facsimile transmission or letter will become effective upon receipt, by that fifth business day, of the debt security and complete form.

The holder may revoke the election of repayment by sending to the paying agent written notice by 3:00 p.m., New York City time, on the twentieth day before the maturity date then in effect or, if that day is not a business day, on the next succeeding business day.

If an extendible debt security is represented by a global debt security, the depositary or its nominee, as the holder, will be the only person that can exercise the right to elect repayment or revoke such an election. Any indirect owners who own beneficial interests in the global debt security and wish to make such an election must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to make a repayment election or revoke such an election on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

**Redemption and Repayment**

Unless otherwise indicated in your prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund—that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity (except for certain tax reasons, as described below) unless your prospectus supplement specifies a redemption date or redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless your prospectus supplement specifies one or more repayment dates.

If your prospectus supplement specifies one or more redemption dates, a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If your prospectus supplement specifies one or more redemption dates, your debt security will be redeemable at our option on any of those dates. If your prospectus supplement specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If your prospectus supplement specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any debt security, we will give the trustee and the holders written notice of the principal amount of the debt security to be redeemed, not less than 3 business days nor more than 60 days before the applicable redemption date unless otherwise specified in your prospectus supplement. We will give the notice in the manner described below in "—Notices."

If a debt security represented by a global debt security is subject to repayment at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or cancelled.

**Optional Tax Redemption**

In addition to the situations described above under "—Redemption and Repayment," we also have the option to redeem the debt securities in two situations described below, unless otherwise indicated in your prospectus supplement. The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified in the prospectus supplement for such debt securities. Furthermore, we must give you between 10 and 60 days' notice before redeeming the debt securities unless otherwise specified in your prospectus supplement.

- The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts as described below under "—Payment of Additional Amounts."

  This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date specified in the prospectus supplement for the applicable debt securities and in a relevant jurisdiction, as defined in "—Payment of Additional Amounts" below. If UBS is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor.

  We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

- The second situation is where a person located outside of a relevant jurisdiction into which UBS is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the debt securities even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

**Payment of Additional Amounts**

A relevant jurisdiction may require UBS to withhold amounts from payments on the principal or interest on a debt security for taxes or any other governmental charges. If the relevant jurisdiction requires a withholding of this type, UBS may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled.

By relevant jurisdiction, we mean Switzerland or a jurisdiction in which the UBS branch through which debt securities are issued is located. UBS will not have to pay additional amounts in respect of taxes or other governmental charges that are required to be deducted or withheld by any paying agent from a payment on a debt security, if such payment can be made without such deduction or withholding by any other paying agent. Furthermore, UBS will not pay additional amounts for or on account of:

- the existence of any present or former connection between you and the relevant jurisdiction, other than the mere holding of the debt security and the receipt of payments on it;
- any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;
- your failure, or the failure of any intermediary, custodian or broker, to comply with any reasonable certification, documentation, information or other reporting requirement concerning your nationality, residence, identity or connection with the relevant jurisdiction, if such compliance is required as a precondition to relief or exemption from such taxes or other governmental charges (including, without limitation, a certification that you are not resident in the relevant jurisdiction or are not an individual resident of a member state of the European Union);
- your status as a bank purchasing the debt security in the ordinary course of its lending business;
- your actual or constructive ownership of 10% or more of the combined voting power of all classes of stock of UBS entitled to vote;
- any taxes imposed on contingent interest as described in section 871(h)(4) of the Internal Revenue Code (as defined below under "U.S. Tax Considerations");
- any taxes which would not have been imposed but for your presentation, or a presentation on your behalf, of a debt security payment on a date more than 15 days after the date on which such payment on the debt security becomes due and payable or on which the payment is duly provided for, whichever occurs later; or
- any combination of the items listed above.

In addition, no additional amounts will be required to be paid on account of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (as defined below under "U.S. Tax Considerations"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to UBS is organized. The prospectus supplement relating to the debt security may describe additional circumstances in which UBS would not be required to pay additional amounts.

**Mergers and Similar Transactions**

We are generally permitted to merge or consolidate with another firm. We are also permitted to sell our assets substantially as an entirety to another firm. With regard to any series of debt securities, we may not take any of these actions, however, unless all the following conditions are met:

- If the successor firm in the transaction is not UBS, the successor firm must be organized as a corporation, partnership or trust and must expressly assume our obligations under the debt securities of that series and the debt indenture. The successor firm must be organized under the laws of Switzerland.
- Immediately after the transaction, no default under the debt securities of that series has occurred and is continuing. For this purpose, "default under the debt securities of that series" means an event of default with respect to that series or any event that would be an event of default with respect to that series if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under "—Default, Remedies and Waiver of Default."

If the conditions described above are satisfied with respect to the debt securities of any series, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another firm or sell our assets substantially as an entirety to another firm. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another firm, any transaction that involves a change of control of UBS but in which we do not merge or consolidate and any transaction in which we sell less than substantially all our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor firm is a non-Swiss entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences to the debt securities.

**Defeasance and Covenant Defeasance**

If indicated in the applicable prospectus supplement for a debt security, the provisions for full defeasance and covenant defeasance described below will apply to that debt security. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

*Full Defeasance*

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on your debt security. This is called full defeasance. To do so, each of the following must occur:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants,

generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.
- There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt securities would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security.
- We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defease your debt security, you would have to rely solely on the trust deposit for payments on your debt security. You would not be able to look to us for payment in the event of any shortfall.

*Covenant Defeasance*

Under current U.S. federal tax law, we can make the same type of deposit described above and be released from any restrictive covenants relating to your debt security that may be described in your prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must do both of the following:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.
- We must deliver to the trustee a legal opinion of our counsel confirming that under U.S. federal income tax law as then in effect we may make the above deposit without causing you to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the debt indenture and your debt security would no longer apply:

- Any covenants that your prospectus supplement may state are applicable to your debt security; and
- The events of default resulting from a breach of covenants, described below in the fourth bullet point under "—Default, Remedies and Waiver of Default—Events of Default."

Any right we have to redeem will survive covenant defeasance with regard to those debt securities.

If we accomplish covenant defeasance on your debt security, you can still look to us for repayment of your debt security in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and payable, there may be a shortfall. Depending on the event causing the default you may not be able to obtain payment of the shortfall.

**Default, Remedies and Waiver of Default**

You will have special rights if an event of default with respect to your series of debt securities occurs and is not cured, as described in this subsection.

*Events of Default*

Unless your prospectus supplement says otherwise, when we refer to an event of default with respect to any series of debt securities, we mean any of the following:

- We do not pay the principal or any premium (including delivering any security or other property deliverable) on any debt security of that series at its maturity;
- We do not pay interest on any debt securities of that series within 30 days after it becomes due and payable;
- We do not deposit a sinking fund payment with regard to any debt securities of that series on its due date, but only if the payment is required in the applicable prospectus supplement;
- We remain in breach of any other covenant we make in the debt indenture for the benefit of the debt securities of that series, for 60 days after we receive a notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the trustee or the holders of not less than 10% in principal amount of the relevant series of debt securities then outstanding;
- We file for bankruptcy or certain other bankruptcy, insolvency or reorganization events relating to UBS occur; or
- If the applicable prospectus supplement states that any additional event of default applies to your series, that event of default occurs.

*Remedies If an Event of Default Occurs*

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of all debt securities of that series then outstanding may declare the entire principal amount of the debt securities of that series to be due immediately. If an event of default occurs because of bankruptcy, insolvency or reorganization events relating to UBS, the entire principal amount of the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. The trustee will be obligated to use those of its rights and powers under the debt indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the debt indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee with respect to that series. These majority holders may also direct the trustee in performing any other action under the debt indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security, all of the following must occur:

- The holder of your debt security must give the trustee written notice that an event of default has occurred, and the event of default must not have been cured or waived.
- The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after the above steps have been taken.
- During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of all debt securities of your series.

You are, however, entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

*Waiver of Default*

The holders of not less than a majority in principal amount of the debt securities of any series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your debt security, however, without the approval of the particular holder of that debt security.

*We Will Give the Trustee Information About Defaults Annually*

We will furnish to the trustee every year a written statement of two of our officers certifying that to their knowledge we are in compliance with the debt indenture and the debt securities, or else specifying any default under the debt indenture.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity of the debt securities. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance.”

**Modification and Waiver of Covenants**

There are three types of changes we can make to the debt indenture and the debt securities of any series.

*Changes Requiring Each Holder’s Approval*

First, there are changes that cannot be made without the approval of each holder of a debt security affected by the change. Here is a list of those types of changes:

- change the stated maturity for any principal or interest payment on a debt security;
- reduce the principal amount, the amount payable on acceleration of the maturity after a default, the interest rate or the redemption price for a debt security;
- permit redemption of a debt security if not previously permitted;
- impair any right a holder may have to require repayment of his or her debt security;
- impair any right that a holder of an indexed or any other debt security may have to exchange or convert the debt security for or into securities or other property;
- change the currency of any payment on a debt security other than as permitted by the debt security;
- change the place of payment on a debt security, if it is in non-global form;
- impair a holder’s right to sue for payment of any amount due on his or her debt security;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the approval of whose holders is needed to change the debt indenture or those debt securities;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the consent of whose holders is needed to waive our compliance with the debt indenture or to waive defaults; and

- change the provisions of the debt indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of each affected debt security.

*Changes Not Requiring Approval of Holders*

The second type of change does not require any approval by holders of the debt securities of an affected series. This type of change is limited to clarifications and changes that would not adversely affect the debt securities of that series in any material respect. We also do not need any approval to make changes that affect only debt securities to be issued under the debt indenture after the changes take effect.

We may also make changes or obtain waivers that do not adversely affect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

*Changes Requiring Majority Approval*

Any other change to the debt indenture and the debt securities would require the following approval:

- If the change affects only the debt securities of a particular series, it must be approved by the holders of 66⅔% in principal amount of the debt securities of that series.
- If the change affects the debt securities of more than one series of debt securities issued under the debt indenture, it must be approved by the holders of 66⅔% in principal amount of all series affected by the change, with the debt securities of all the affected series voting together as one class for this purpose (and of any affected series that by its terms is entitled to vote separately as a series, as described below).

In each case, the required approval must be given by written consent.

Majority approval would be required for us to obtain a waiver of any of our covenants in the debt indenture. Our covenants include the promises we make about merging, which we describe above under "—Mergers and Similar Transactions." If the holders approve a waiver of a covenant, we will not have to comply with that covenant. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the debt indenture as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described above under "—Changes Requiring Each Holder's Approval," unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the debt indenture or the debt securities or request a waiver.

**Special Rules for Action by Holders**

When holders take any action under the debt indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

*Only Outstanding Debt Securities Are Eligible*

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be "outstanding":

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its holder, money for its payment or redemption;
- if we have fully defeased it as described above under "—Defeasance and Covenant Defeasance—Full Defeasance"; or
- if we or one of our affiliates, such as UBS Securities LLC or UBS Financial Services Inc., is the beneficial owner.

*Special Series Voting Rights*

We may issue series of debt securities that are entitled, by their terms, to vote separately on matters (for example, modification or waiver of provisions in the debt indenture) that would otherwise require a vote of all affected series, voting together as a single class. Any such series would be entitled to vote together with all other affected series, voting together as one class, and would also be entitled to vote separately, as a series only. These special voting rights will be described in the applicable prospectus supplement. For a series that does not have these special rights, voting will occur as described in the preceding section, but subject to any separate voting rights of any series having special rights. We may issue a series having these or other special voting rights without obtaining the consent of or giving notice to holders of outstanding series.

*Eligible Principal Amount of Some Debt Securities*

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency, increases over time or is not to be fixed until maturity. For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

- For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default.

- For a debt security whose principal amount is not known, we will use any amount that we indicate in the prospectus supplement for that debt security. The principal amount of a debt security may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date.
- For debt securities with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

*Determining Record Dates for Action by Holders*

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the debt indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depositary from time to time. Accordingly, record dates for global debt securities may differ from those for other debt securities.

**Form, Exchange and Transfer of Debt Securities**

We will issue each debt security in global—*i.e.*, book-entry—form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depositary, which will be the holder of all the debt securities represented by the global security. Those who own beneficial interests in a global debt security will do so through participants in the depositary's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants. We describe book-entry securities below under "Legal Ownership and Book-Entry Issuance." Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities in global form.

In addition, we will generally issue each debt security in registered form, without coupons, unless we specify otherwise in the applicable prospectus supplement. If we issue a debt security in bearer form, the applicable prospectus supplement will describe the provisions that would apply to that security.

If a debt security is issued as a global debt security, only the depositary—*e.g.*, DTC, Euroclear and Clearstream—will be entitled to transfer and exchange the debt security or exercise any other rights of a holder as described in this subsection, since the depositary will be the sole holder of the debt security.

If any debt securities cease to be issued in global form, then unless we indicate otherwise in your prospectus supplement, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your prospectus supplement, in denominations of $1,000 and integral multiples of $1,000.

Holders may exchange their debt securities for debt securities of smaller denominations (subject to the limit above) or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. You may not exchange your debt securities for securities of a different series or having different terms, unless your prospectus supplement says you may.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed or mutilated debt securities at that office. We have appointed the trustee to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities of any series are redeemable and we redeem less than all those debt securities, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing or during any other period specified in the applicable prospectus supplement, in order to freeze the list of holders who will receive the mailing. We may also refuse to register transfers of or exchange any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

The rules for exchange described above apply to exchanges of debt securities for other debt securities of the same series and kind. If a debt security is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the applicable prospectus supplement.

### Payment Mechanics for Debt Securities

#### Who Receives Payments?

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date described below relating to the interest payment date. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment (or, in the case of a global debt security, in accordance with the applicable policies of the depositary).

#### Payment Dates and Regular Record Dates for Interest

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semiannually each May 15 and November 15 and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will be the May 1 or November 1 next preceding that interest payment date. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply whether or not a particular record date is a business day. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

The term "business day" means, for any debt security, a day that meets all the following applicable requirements:

- for all debt securities, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close and that satisfies any other criteria specified in your prospectus supplement;
- if the debt security is a floating rate debt security whose interest rate is based on LIBOR, is also a day on which dealings in the relevant index currency specified in the applicable prospectus supplement are transacted in the London interbank market;
- if the debt security has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency;
- if the debt security either is a floating rate debt security whose interest rate is based on EURIBOR or has a specified currency of euros, is also a day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System, or any successor system, is open for business;
- if the debt security is held through Euroclear, is also not a day on which banking institutions in Brussels, Belgium are generally authorized or obligated by law, regulation or executive order to close; and
- if the debt security is held through Clearstream, is also not a day on which banking institutions in Luxembourg are generally authorized or obligated by law, regulation or executive order to close.

#### How We Will Make Payments Due in U.S. Dollars

We will follow the practices described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

**Payments on Global Debt Securities.** We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will pay directly to the depositary, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner's right to receive those payments will be governed by the rules and practices of the depositary and its participants, as described under "Legal Ownership and Book-Entry Issuance—What Is a Global Security?"

**Payments on Non-Global Debt Securities.** We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all other payments by check at the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds—that is, in funds that become available on the day after the check is cashed.

Alternatively, if a non-global debt security has a face amount of at least $1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.

**How We Will Make Payments Due in Other Currencies**

We will follow the practices described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

**Payments on Global Debt Securities.** We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. We understand that these policies, as currently in effect at DTC, are as follows:

Unless otherwise indicated in your prospectus supplement, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and you do make that election, you must notify the participant through which your interest in the global debt security is held of your election:

- on or before the applicable regular record date, in the case of a payment of interest, or
- on or before the 16th day prior to stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

You may elect to receive all or only a portion of any interest, principal or premium payment in a specified currency other than U.S. dollars.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by you or your participant with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under "—Conversion to U.S. Dollars." We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect holders of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

**Payments on Non-Global Debt Securities.** Except as described in the second to last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the debt indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Indirect owners of a non-global debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

**Conversion to U.S. Dollars.** When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as described above, we will determine the U.S. dollar amount the holder receives as follows. The exchange rate agent described below will request currency bid quotations expressed in U.S. dollars from three or, if three are not available, then two, recognized foreign exchange dealers in New York City, any of which may be the exchange rate agent, which may be UBS Securities LLC, an affiliate of UBS, as of 11:00 A.M., New York City time, on the second business day before the payment date. Currency bid quotations will be requested on an aggregate basis, for all holders of debt securities requesting U.S. dollar payments of amounts due on the same date in the same specified currency. The U.S. dollar amount the holder receives will be based on the highest acceptable currency bid quotation received by the exchange rate agent. If the exchange rate agent determines that at least two acceptable currency bid quotations are not available on that second business day, the payment will be made in the specified currency.

To be acceptable, a quotation must be given as of 11:00 A.M., New York City time, on the second business day before the due date and the quoting dealer must commit to execute a contract at the quotation in the total amount due in that currency on all series of debt securities. If some but not all of the relevant debt securities are LIBOR debt securities or EURIBOR debt securities, the second preceding business day will be determined for this purpose as if none of those debt securities were LIBOR debt securities or EURIBOR debt securities.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

**When the Specified Currency Is Not Available.** If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us or cannot be paid to you due to circumstances beyond our control—such as the imposition of exchange controls or a disruption in the currency markets—we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis specified in the applicable prospectus supplement.

For a specified currency other than U.S. dollars, the exchange rate will be the noon buying rate for cable transfers of the specified currency in New York City as quoted by the Federal Reserve Bank of New York on the then-most recent day on which that bank has quoted that rate.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the debt indenture.

**Exchange Rate Agent.** If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may select UBS Securities LLC or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be at its sole discretion unless we state in your prospectus supplement that any determination is subject to our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

### Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Unless specified otherwise in the applicable prospectus supplement, payments postponed to the next business day in this situation will be treated under the debt indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the debt indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under "—Payment Dates and Regular Record Dates for Interest."

### Paying Agent

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify the trustee of changes in the paying agents.

### Settlement Mechanics

The settlement mechanics applicable to debt securities calling for physical settlement will be described in the applicable prospectus supplement.

### Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

### Notices

Notices to be given to holders of a global debt security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive notices.

### Our Relationship with the Trustee

U.S. Bank Trust National Association has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, U.S. Bank Trust National Association holds debt securities issued by us and serves as trustee or agent with regard to other obligations of UBS or its subsidiaries.

U.S. Bank Trust National Association is serving as the trustee for the debt securities and the warrants issued under our warrant indenture. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, and we would be required to appoint a successor trustee. For this purpose, a "potential" event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

## Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered securities issued in global—i.e., book-entry—form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

### Who is The Legal Owner of a Registered Security?

Each debt security or warrant in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee, warrant agent or other agent maintain for this purpose, as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

### Book-Entry Owners

We will issue each security in book-entry form only. This means securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture or warrant agreement, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

### Street Name Owners

In the future we may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

**Legal Holders**

Our obligations, as well as the obligations of the trustee and the obligations, if any, of any warrant agents and any other third parties employed by us, the trustee or any of those agents, run only to the holders of the securities. We do not have obligations to investors who hold indirect interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of debt securities or warrants or the warrant agreement for a series of warrants or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture—we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to "you" in this prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to "your securities" in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

**Special Considerations for Indirect Owners**

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell warrant property under a warrant or to exchange or convert a security for or into other property;
- how it would handle a request for the holders' consent, if ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

**What Is a Global Security?**

We will issue each security in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the "depositary" for that security. A security will usually have only one depositary but it may have more.
Each series of securities will have one or more of the following as the depositaries:

- The Depository Trust Company, New York, New York, which is known as "DTC";
- a financial institution holding the securities on behalf of Morgan Guaranty Trust Company of New York, acting out of its Brussels, Belgium, office, as operator of the Euroclear system, which is known as "Euroclear";
- a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, which is known as "Clearstream"; and

- any other clearing system or financial institution named in the applicable prospectus supplement. The depositaries named above may also be participants in one another's systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants.

The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated." As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under "—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated." If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

**Special Considerations for Global Securities**

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security. If securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot require the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below.

- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under "—Who Is the Legal Owner of a Registered Security?"

- An investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

- The depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and any warrant agents will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We, the trustee and any warrant agents also do not supervise the depositary in any way.

- The depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well.

- Financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

**Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated**

If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under "—Who Is the Legal Owner of a Registered Security?"

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days; or

- in the case of a global security representing debt securities or warrants issued under an indenture, if an event of default has occurred with regard to these debt securities or warrants and has not been cured or waived.

If a global security is terminated, only the depositary, and not we, the trustee for any debt securities or warrants or the warrant agent for any warrants, is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

**Considerations Relating to Euroclear and Clearstream**

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

**Special Timing Considerations for Transactions in Euroclear and Clearstream**

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

## 1. UBS AG FI Enhanced Large Cap Growth ETN due June 19, 2024

**Principal Terms:**

**Principal Amount:** $750,000,000

**Issuer**: UBS AG, London Branch

**Initial Trade Date**: June 10, 2014

**Initial Settlement Date**: June 13, 2014

**Term**: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right.

**Denomination/Principal Amount**: $100.00 per Security

**Maturity Date**: June 19, 2024, subject to adjustment

**Underlying Index**: The return on the Securities is linked to the Russell 1000 Growth Total Return Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities.

**Annual Tracking Rate**: 0.85% per annum

**Financing Spread**: 0.44% per annum

**Loss Rebalancing Fee**: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of Your Securities and may also have a further reduction due to a breakage computation. See "General Terms of the Securities — Loss Rebalancing Event Upon Large Decreases in the Indicative Value" for the definition of the Loss Rebalancing Fee and all other defined pertaining to the Loss Rebalancing Event.

**First Redemption Date**: June 20, 2014 for Regular Redemptions, June 26, 2014 for Large Redemptions

**Final Redemption Date**: June 14, 2024

**First Call Date**: The first date that UBS may exercise its Call Right is June 15, 2015

**Quarterly Initial Closing Level for the Initial Calendar Quarter**: 826.0448, the Index Closing Level (as defined below) on the Initial Trade Date.

**Quarterly Reset Dates**: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on October 1, 2014 and ending on April 1, 2024, subject to adjustment.

**Quarterly Valuation Dates**: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on September 30, 2014 and ending on March 28, 2024, subject to adjustment.

**Floor Level**: The "Floor Level" is equal to $20.00 (subject to adjustment as described under "Valuation of the Index and the Securities — Split or Reverse Split of the Securities").

**Index Sponsor**: Russell Investments, a subsidiary of Russell Investment Group ("Russell").

**Listing**: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol "FBGX"

**Calculation Date**: June 10, 2024, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

**Index Symbol**: RU10GRTR (NYSE and Bloomberg)

**Intraday Indicative Value Symbol**: FBGXIV (Bloomberg)

**CUSIP No.**: 902677780

**ISIN No.**: US9026777808

### Valuation of the Index and the Securities

### Intraday Index Values

On each Trading Day, the Index Sponsor will calculate and publish the intraday indicative value of the relevant Index at least every 15 seconds during normal trading hours on Bloomberg L.P. ("Bloomberg") or any other publicly available information provider specified in " Principal Terms" above under a ticker symbol identified above. The actual relevant Index Closing Level may vary, and on a cumulative basis over the term of any series of the Securities may vary significantly, from the intraday indicative value of the Index.

The intraday indicative calculation of the level of the relevant Index will be provided for reference purposes only. Published calculations of the level of the relevant Index from the Index Sponsor may occasionally be subject to delay or postponement. Any such delays or postponements will affect the current level of the relevant Index and therefore the value of the affected series of Securities in the secondary market. The intraday indicative value of the relevant Index published at least every 15 seconds will be based on the intraday prices of the Index Constituent Securities.

**Intraday Security Values**

An intraday "indicative value" for each series of the Securities, meant to approximate the intrinsic economic value of that series of the Securities, will be calculated by the calculation agent specified in " Principal Terms" above and published to Bloomberg or any other publicly available information provider specified in " Principal Terms" above (or a successor) via the facilities on the Consolidated Tape Association under a symbol to be identified in " Principal Terms" above. In connection with your Securities, we use the term "indicative value" to refer to the value at a given time and date equal to (i) Current Principal Amount multiplied by the Index Factor calculated using the intraday indicative value of the relevant Index as of such time as the Index Valuation Level, minus (ii) the Accrued Fees as of such time and date, assuming such time and date is the Redemption Valuation Date.

The intraday indicative value calculation will be used to determine whether any series of the Securities will be accelerated, as discussed under "General Terms of the Securities — Acceleration Upon Minimum Indicative Value". It is not intended as a price or quotation, or as an offer to solicitation for the purpose, sale, or termination of your Securities, nor will it reflect hedging or other transactional costs, credit considerations, market liquidity or bid-offer spreads. The levels of the relevant Index provided by the Index Sponsor specified in " Principal Terms" above will not necessarily reflect the depth and liquidity of the relevant Index Constituent Securities. For this reason and others, the actual trading price of the Securities of any series may be different from their indicative value.

The calculation of the intraday indicative value shall not constitute a recommendation or solicitation to conclude a transaction at the level stated, and should not be treated as giving investment advice.

The reporting of the intraday indicative value of any series of the Securities by Bloomberg or any other publicly available information provider specified in " Principal Terms" above may occasionally be subject to delay or postponement. The actual trading price of any series of the Securities may be different from their intraday indicative value. The intraday indicative value of any series of the Securities published at least every 15 seconds during the NYSE Arca's Core Trading Session, which is currently from 9:30 a.m. to 4:00 p.m., New York City time, will be based on the intraday indicative values of the relevant Index, and may not be equal to the payment at maturity, early redemption, acceleration, or upon exercise by UBS of its call right.

These intraday indicative value calculations will be prepared as of a particular time and date and will therefore not reflect subsequent changes in market values or prices or in any other factors relevant to their determination.

**Split or Reverse Split of the Securities**

Should the Current Principal Amount of any series of Securities on any Trading Day be above $400.00, we may, but are not obligated to, initiate a 4-for-1 split of your Securities. Should the Current Principal Amount on any Trading Day be below $40.00, we may, but are not obligated to, initiate a 1-for-4 reverse split of your Securities. If the Current Principal Amount of a series of Securities is greater than $400.00 or below $40.00 on any Trading Day, and we decide to initiate a split or reverse split, as applicable, such date shall be deemed to be the "announcement date", and we will issue a notice to holders of the relevant Securities and press release announcing the split or reverse split, specifying the effective date of the split or reverse split.

If the Securities undergo a split, we will adjust the terms of the Securities accordingly. If the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("DTC") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The record date for the split will be the tenth Business Day after the announcement date. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split of your Securities. Any adjustment of the Current Principal Amount will be rounded to eight decimal places. A corresponding adjustment will be made to the Floor Level for purposes of determining whether an Acceleration upon Minimum Indicative Value has occurred. For example, if the Securities undergo a 4:1 split, the Floor Level will be divided by 4. The split will become effective at the opening of trading of the Securities on the Business Day immediately following the record date.

In the case of a reverse split, we reserve the right to address odd numbers of Securities (commonly referred to as "partials") in a manner determined by us in our sole discretion. If the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and adjustments will be made as described below. The record date for the reverse split will be on the tenth Business Day after the announcement date. The Current Principal Amount on such record date will be multiplied by four to reflect the 1:4 reverse split of your Securities. Any adjustment of the Current Principal Amount will be rounded to eight decimal places. A corresponding adjustment will be made to the Floor Level for purposes of determining whether an Acceleration upon Minimum Indicative Value has occurred. For example, if the securities undergo a 1:4 reverse split, the Floor Level will be multiplied by 4. The reverse split will become effective at the opening of trading of the Securities on the Business Day immediately following the record date.

Holders who own a number of Securities on the record date that is not evenly divisible by four will receive the same treatment as all other holders for the maximum number of Securities they hold which is evenly divisible by four, and we will have the right to compensate holders for their remaining or "partial" Securities in a manner determined by us in our sole discretion. Our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the closing indicative value of the reverse split-adjusted Securities on the 14th Business Day following the announcement date. For example, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4ths of the Current Principal Amount of the reverse split-adjusted Securities on the 14th Business Day following the announcement date.

**General Terms of the Securities**

In this section, references to "holders" or "you" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series A" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series A" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series A" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series A are described under "Medium-Term Notes, Series A" above. The terms described here supplement those described in "Medium-Term Notes, Series A" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

**Interest or Coupons**

We will not pay you any interest or coupons during the term of the Securities.

**Payment at Maturity**

The "Maturity Date" for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section "— Payment at Maturity" as the "Final Measurement Period". The scheduled Maturity Date is identified in " Principal Terms" above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

**You may lose some or all of your initial investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment.**

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Financing Level" is, as of any date of determination, an amount that equals the Current Principal Amount.

The "Accrued Financing Charge" as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be $0.

The "Accrued Tracking Fee" as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The "Annual Tracking Rate" is a per annum rate described in " Principal Terms" above.

The “Current Indicative Value” is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The “Principal Amount” of each Security is \$100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal \$100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

> *New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Quarterly Valuation Date — Accrued Fees on the applicable Quarterly Valuation Date

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the “Quarterly Reset Date” is the first Trading Day of the quarter specified in “ Principal Terms” above, subject to adjustment as described under “— Market Disruption Event”; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the “Quarterly Valuation Date” is the last Trading Day of the previous calendar quarter subject to adjustment as described under “— Market Disruption Event”. The Quarterly Valuation Date is specified in “ Principal Terms” above .

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level — Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The “Index Valuation Level” will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

(1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the Call Valuation Date, Acceleration Date or Calculation Date, as applicable, to but excluding the Redemption Valuation Date (the “Applicable Date”), the sum of the Index Closing Levels on such Trading Day(s) *plus* (ii) the Index Closing Level on the Applicable Date *times* the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and

(2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

Unless specified otherwise in “ Principal Terms” above, the applicable “Measurement Period” means the five Trading Days from and including the Call Valuation Date, Acceleration Date, Redemption Valuation Date (for a Large Redemption) or the Calculation Date, as applicable, subject to adjustment as described under “General Terms of the Securities — Market Disruption Event”.

The “Quarterly Initial Closing Level” for the Initial Calendar Quarter is specified in “ Principal Terms” above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The “Index Closing Level” is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The “Index Sponsor” will be the entity that calculates the level of the relevant Index is specified in “ Principal Terms” above.

The “Calculation Date” is specified in “ Principal Terms” above.

The “Current Indicative Value”, as determined by the Calculation Agent as of any date of determination, is an amount per Security equal to the product of (i) the Current Principal Amount and (ii) the Index Factor of such date, using the Index Closing Level of such date as the Index Valuation Level.

Unless specified otherwise in “ Principal Terms” above, “Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

**Early Redemption at the Option of the Holders**

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under “—Redemption Procedures”, you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in “ Principal Terms” above. For any early redemptions, the applicable “Redemption Valuation Date” means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 **Securities of any series. Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time** the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the “Redemption Date”). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the second Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, If the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under “— Market Disruption Event”.

A “Regular Redemption” means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A “Large Redemption” means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

*Regular Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

 (i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus

(b) the Accrued Fees as of such Redemption Valuation Date, minus

(c) the Redemption Fee.

*Large Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "— Early Redemption at the Option of the Holders" as the "Large Redemption Measurement Period", minus

(b) the Accrued Fees as of such last Trading Day, minus

(c) the Redemption Fee.

We refer to the cash payments described above as the "Redemption Amount".

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose some or all of your initial investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The "Accrued Tracking Fee" as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The "Accrued Financing Charge" as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The "Redemption Fee" means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment".

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than eighteen calendar days' prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in " Principal Terms" above through and including the Calculation Date specified in " Principal Terms" above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "— UBS's Call Right" as the "Call Measurement Period", minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Call Settlement Amount".

If the amount calculated above is less than zero, the payment upon UBS's exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the "Call Valuation Date" will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the "Call Settlement Date"). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

You may lose some or all of your initial investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Accrued Tracking Fee" as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including such Call Valuation Date *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

**Acceleration Upon Minimum Indicative Value**

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an "Acceleration Date"), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section "— Acceleration Upon Minimum Indicative Value" as the "Acceleration Measurement Period") for a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Acceleration Amount". The "Floor Level" of any series of the Securities will be specified in " Principal Terms" above. If any series of the Securities undergoes a split or reverse split, the Floor Level of that series will be adjusted accordingly. If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities.

You may lose some or all of your initial investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The "Accrued Tracking Fee" as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The "Acceleration Settlement Date" will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in " Principal Terms" above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see "Valuation of the Index and the Securities".

**Loss Rebalancing Event Upon Large Decreases in the Indicative Value**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A "Loss Rebalancing Event" means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the "LR Valuation Date" is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event".

With respect to a LR Valuation Date, the "LR Reset Date" is the first Trading Day following a LR Valuation Date, subject to adjustment as described under "— Market Disruption Event".

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

*New* Current Principal Amount = 99.995% x LR Current Principal Amount.

LR Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable LR Valuation Date — Accrued Fees on the applicable LR Valuation Date.

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the "*New* Current Principal Amount" on a Quarterly Reset Date, except that:

(1) the LR Reset Date will be the Quarterly Reset Date;

(2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;

(3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;

(4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;

(5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and

(6) the Financing Level will be reduced the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of "Financing Rate" two London business days preceding LR Valuation Date and referred to as "L2") is less than the actual Financing Rate ("L1"), the Current Principal Amount will be further reduced by an amount equal to:

(L1-L2) x (Current Principal Amount -*New* Current Principal Amount) x (the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date) *divided by* 360.

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a "Loss Rebalancing Fee".

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

**Calculation Agent**

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October, 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date, or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An "Averaging Date" means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent's discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

(a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;

(c) the relevant Index is not published; or

(d) in any other event, if the Calculation Agent determines that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the relevant Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

(b) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation**

If the Index Sponsor or another entity that publishes the Index discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a "Successor Index"), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (*e.g.*, as if such split had not occurred).

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem any series of the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under "— Default Amount".

For the purpose of determining whether the holders of our Medium-Term Notes, Series A are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series A constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series A, holders of specified percentages in principal amount of all Medium-Term Notes, Series A, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series A, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series A, accelerating the maturity of the Medium-Term Notes, Series A after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants".

**Default Amount**

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities".

**Defeasance**

Neither full defeasance nor covenant defeasance, as described in "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance", will apply to the Securities.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in " Principal Terms" above. However, we may issue additional Securities in amounts that exceed the amount specified in " Principal Terms" above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Amounts That We May Issue".

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**Additional Terms of the Securities**

The general terms of the Securities described above are modified by the specific definitions and terms below.

"Intraday Indicative Value" means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol "FBGXIV".

"Trading Day" means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the Primary Exchanges on which the Index Constituent Securities are traded, in each case as determined by the Calculation Agent.

"Primary Exchange" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

**2. UBS AG FI Enhanced Europe 50 ETN due February 12, 2026**

**Principal Terms:**

**Principal Amount**: $500,000,000

**Issuer**: UBS AG, London Branch

**Initial Trade Date**: February 12, 2016

**Initial Settlement Date**: February 18, 2016

**Term**: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right, each as described below.

**Denomination/Principal Amount**: $100.00 per Security

**Maturity Date** February 12, 2026, subject to adjustment

**Underlying Index**: The return on the Securities is linked to the STOXX Europe 50® USD (Gross Return) Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities. The level of the Underlying Index is published approximately every 15 seconds from 3:00 a.m. to 12:00 p.m., New York City time, and a daily Index Closing Level is published at approximately 12:00 p.m., New York City time, on each Trading Day.

**Annual Tracking Rate**: 0.95% per annum

**Financing Spread**: 1.00% per annum

**Loss Rebalancing Fee**: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of Your Securities and may also have a further reduction due to a breakage computation. See "—Loss Rebalancing Event Upon Large Decreases in the Indicative Value".

**First Redemption Date**: February 25, 2016 for Regular Redemptions, March 2, 2016 for Large Redemptions

**Final Redemption Date**: February 9, 2026

**First Call Date**: The first date that UBS may exercise its Call Right is February 21, 2017 Quarterly Initial Closing Level for the Initial Calendar Quarter: 1,191.12, the Index Closing Level (as defined below) on the Initial Trade Date.

**Quarterly Reset Dates**: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on April 1, 2016 and ending on January 2, 2026, subject to adjustment.

**Quarterly Valuation Dates**: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on March 31, 2016 and ending on December 31, 2025, subject to adjustment.

**Floor Level**: The "Floor Level" is equal to $20.00 (subject to adjustment as described under "Valuation of the Index and the Securities — Split or Reverse Split of the Securities").

**Index Sponsor**: STOXX Limited ("STOXX"), a company owned by Deutsche Börse AG.

**Listing**: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol "FIEE."

**Calculation Date**: February 3, 2026, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

**Index Symbol**: SX5PGV (NYSE and Bloomberg)

**Intraday Indicative Value Symbol**: FIEEIV (Bloomberg)

**CUSIP** No.: 90274D234

**ISIN No.**: US90274D2348

**General Terms of the Securities**

In this section, references to "holders" or "you" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term

Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

We describe the general terms of the Securities in more detail below.

### Interest or Coupons

We will not pay you any interest or coupons during the term of the Securities.

### Payment at Maturity

The "Maturity Date" for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section "— Payment at Maturity" as the "Final Measurement Period". The scheduled Maturity Date is identified in " Principal Terms" above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

**You may lose all or a substantial portion of your investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment.**

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Financing Level" is, as of any date of determination, an amount that equals the Current Principal Amount.

The "Accrued Financing Charge" as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be $0.

The "Accrued Tracking Fee" as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Annual Tracking Rate" is a per annum rate described in " Principal Terms" above.

The "Current Indicative Value" is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The "Principal Amount" of each Security is $100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal $100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

*New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Quarterly Valuation Date — Accrued Fees on the applicable Quarterly Valuation Date

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the "Quarterly Reset Date" is the first Trading Day of the quarter specified in " Principal Terms" above, subject to adjustment as described under "— Market Disruption Event"; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the "Quarterly Valuation Date" is the last Trading Day of the previous calendar quarter subject to adjustment as described under "— Market Disruption Event". The Quarterly Valuation Date is specified in " Principal Terms" above .

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level — Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The "Index Valuation Level" will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

(1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the first Trading Day in such Measurement Period to but excluding the Redemption Valuation Date (the "Applicable Date"), the sum of the Index Closing Levels on such Trading Day(s) plus (ii) the Index Closing Level on the Applicable Date times the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and

(2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

Unless specified otherwise in " Principal Terms" above, the applicable "Measurement Period" means the five Trading Days from and including the Call Valuation Date, Acceleration Date, Redemption Valuation Date (for a Large Redemption) or the Calculation Date, as applicable, subject to adjustment as described under "— Market Disruption Event".

The "Quarterly Initial Closing Level" for the Initial Calendar Quarter is specified in " Principal Terms" above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The "Index Closing Level" is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The "Index Sponsor" will be the entity that calculates the level of the relevant Index is specified in " Principal Terms" above.

Unless specified otherwise in " Principal Terms" above, "Trading Day" means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

**Early Redemption at the Option of the Holders**

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under "—Redemption Procedures", you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in " Principal Terms" above. For any early redemptions, the applicable "Redemption Valuation Date" means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 Securities of any series. Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the "Redemption Date"). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the fourth Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under "— Market Disruption Event".

A "Regular Redemption" means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A "Large Redemption" means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

*Regular Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus

(b) the Accrued Fees as of such Redemption Valuation Date, minus

(c) the Redemption Fee.

*Large Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "—Early Redemption at the Option of the Holders" as the "Large Redemption Measurement Period", minus

(b) the Accrued Fees as of such last Trading Day, minus

(c) the Redemption Fee.

We refer to the cash payments described above as the "Redemption Amount".

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose all or a substantial portion of your investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees, the Redemption Fee and/or Loss Redemption Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The “Accrued Tracking Fee” as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The “Accrued Financing Charge” as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The “Redemption Fee” means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters in “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Redemption and Repayment”.

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS’s Call Right**

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than eighteen calendar days’ prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in “ Principal Terms” above through and including the Calculation Date specified in “ Principal Terms” above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “— UBS’s Call Right” as the “Call Measurement Period”, minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Call Settlement Amount”.

If the amount calculated above is less than zero, the payment upon UBS’s exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the “Call Valuation Date” will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the "Call Settlement Date"). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

You may lose all or a substantial portion of your investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Accrued Tracking Fee" as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Call Measurement Period *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

**Acceleration Upon Minimum Indicative Value**

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an "Acceleration Date"), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section "— Acceleration Upon Minimum Indicative Value" as the "Acceleration Measurement Period") for a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Acceleration Amount". The "Floor Level" of any series of the Securities will be specified in " Principal Terms" above. If any series of the Securities undergoes a split or reverse split, the Floor Level of that series will be adjusted accordingly. If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities.

You may lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The "Accrued Tracking Fee" as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The "Acceleration Settlement Date" will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in " Principal Terms" above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see "Valuation of the Index and the Securities".

**Loss Rebalancing Event Upon Large Decreases in the Indicative Value**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A "Loss Rebalancing Event" means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the "LR Valuation Date" is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event".

With respect to a LR Valuation Date, the "LR Reset Date" is the first Trading Day following a LR Valuation Date, subject to adjustment as described under "— Market Disruption Event".

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

> *New* Current Principal Amount = 99.995% × LR Current Principal Amount.
>
> LR Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable LR Valuation Date — Accrued Fees on the applicable LR Valuation Date.

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the "*New* Current Principal Amount" on a Quarterly Reset Date, except that:

(1) the LR Reset Date will be the Quarterly Reset Date;

(2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;

(3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;

(4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;

(5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and

(6) the Financing Level will be reduced to equal the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of "Financing Rate" two London business days preceding LR Valuation Date and referred to as "L2") is less than the actual Financing Rate ("L1"), the Current Principal Amount will be further reduced by an amount equal to:

(L1-L2) × (Current Principal Amount - *New* Current Principal Amount) × (the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date) *divided by* 360.

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a "Loss Rebalancing Fee".

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

**Calculation Agent**

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October, 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An “Averaging Date” means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent’s discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

(a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;

(c) the relevant Index is not published; or

(d) in any other event, including any time when a relevant market is closed for trading under ordinary circumstances, if the Calculation Agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the Securities (or relevant portion of the Securities) that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following event will not be Market Disruption Event with respect to the relevant Index:

(a) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation**

If the Index Sponsor or another entity that publishes the Index discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a “Successor Index”), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (*e.g.*, as if such split had not occurred).

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem any series of the Securities in the circumstances described in "Medium Term Notes, Series B" under "Description of Debt Securities We May Offer — Optional Tax Redemption". If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under "— Default Amount".

For the purpose of determining whether the holders of our Medium-Term Notes, Series B are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series B constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium Term Notes, Series B" under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants".

**Default Amount**

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Defeasance**

Neither full defeasance nor covenant defeasance, as described in the accompanying prospectus under "Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance", will apply to the Securities.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in " Principal Terms" above. However, we may issue additional Securities in amounts that exceed the amount specified in " Principal Terms" above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**Additional Terms of the Securities**

The general terms of the Securities described above are modified by the specific definitions and terms below.

"Intraday Indicative Value" means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol "FIEEIV".

"Trading Day" means any day on which (i) trading is generally conducted on NYSE Arca and (ii) the level of the Index is published by the Index Sponsor, in each case as determined by the Calculation Agent.

"Primary Exchange" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

**3. UBS AG FI Enhanced Global High Yield ETN due March 3, 2026**

**Principal Terms**

**Principal Amount:** $1,250,000,000

**Issuer**: UBS AG, London Branch

**Initial Trade Date**: February 19, 2016

**Initial Settlement Date**: February 24, 2016

**Term**: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right, each as described below.

**Denomination/Principal Amount**: $100.00 per Security

**Maturity Date** March 3, 2026, subject to adjustment

**Index**: The return on the Securities is linked to the MSCI World High Dividend Yield USD Gross Total Return Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities. The level of the Index is published approximately every 15 seconds from 12:00 a.m. to 4:15 p.m., New York City time, and a daily Index Closing Level is published at approximately 6:00 p.m., New York City time, on each Trading Day.

**Index Closing Level**: The closing level of the Index as published by the Index Sponsor and reported by Bloomberg under the ticker symbol "MHDYWOUG<Index>".

**Annual Tracking Rate**: 0.80% per annum

**Financing Spread**: .85% per annum

**Loss Rebalancing Fee**: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities, calculated as 99.95% × LR Current Principal Amount, and may also have a further reduction due to a breakage computation. See "— Loss Rebalancing Event Upon Large Decreases in the Indicative Value" for the definition of the Loss Rebalancing Fee and other terms pertaining to the Loss Rebalancing Event.

**Redemption Procedures**: The redemption procedures for Early Redemption are specified under "— Redemption Procedures", provided that any reference to 12:00 noon (New York City time) as the cutoff time (1) to deliver notice of redemption and (2) for aggregating redemption requests to determine whether an early redemption is a Regular Redemption or a Large Redemption shall be 9:00 a.m. (New York City time).

**First Redemption Date**: March 2, 2016 for Regular Redemptions, March 8, 2016 for Large Redemptions

**Final Redemption Date**: February 24, 2026

**First Call Date**: The first date that UBS may exercise its Call Right is February 24, 2017

**Quarterly Initial Closing Level for the Initial Calendar Quarter:** 1,494.907, the Index Closing Level (as defined BELOW) on the Initial Trade Date.

**Quarterly Reset Dates**: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on April 1, 2016 and ending on January 2, 2026, subject to adjustment.

**Quarterly Valuation Dates**: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on March 31, 2016 and ending on December 31, 2025, subject to adjustment.

**Floor Level**: The "Floor Level" is equal to $20.00 subject to adjustment.

**Index Sponsor**: MSCI, Inc.

**Listing**: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol "FIHD."

**Calculation Date**: February 20, 2026, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

**Index Symbols**: The intraday level of the Index is reported by Bloomberg under the ticker symbol "M2WDHDVD <Index>".

The Index Closing Level is reported by Bloomberg under the ticker symbol "MHDYWOUG <Index>".

**Intraday Indicative Value Symbol**: FIHDIV (Bloomberg)

**CUSIP No.**: 90274D218

**ISIN No.**: US90274D218

**General Terms of the Securities**

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

**Interest or Coupons**

We will not pay you any interest or coupons during the term of the Securities.

**Payment at Maturity**

The "Maturity Date" for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section "— Payment at Maturity" as the "Final Measurement Period". The scheduled Maturity Date is identified in "Principal Terms" above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

**You may lose all or a substantial portion of your investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment.**

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Financing Level" is, as of any date of determination, an amount that equals the Current Principal Amount.

The “Accrued Financing Charge” as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be $0.

The “Accrued Tracking Fee” as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The “Annual Tracking Rate” is a per annum rate described in “Principal Terms” above.

The “Current Indicative Value” is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The “Principal Amount” of each Security is $100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal $100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

> *New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Quarterly Valuation Date — Accrued Fees on the applicable Quarterly Valuation Date

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the “Quarterly Reset Date” is the first Trading Day of the quarter specified in “Principal Terms” above, subject to adjustment as described under “— Market Disruption Event”; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the “Quarterly Valuation Date” is the last Trading Day of the previous calendar quarter subject to adjustment as described under “— Market Disruption Event”. The Quarterly Valuation Date  specified in “Principal Terms” above.

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level} - \text{Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The “Index Valuation Level” will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

(1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the first Trading Day in such Measurement Period to but excluding the Redemption Valuation Date (the “Applicable Date”), the sum of the Index Closing Levels on such Trading Day(s) plus (ii) the Index Closing Level on the Applicable Date times the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and

(2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

Unless specified otherwise in "Principal Terms" above, the applicable "Measurement Period" means the five Trading Days from and including the Call Valuation Date, Redemption Valuation Date (for a Large Redemption), Calculation Date or the first Trading Day following the Acceleration Date, as applicable, subject to adjustment as described under "— Market Disruption Event".

The "Quarterly Initial Closing Level" for the Initial Calendar Quarter is specified in "Principal Terms" above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The "Index Closing Level" is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The "Index Sponsor" is the entity that calculates the level of the relevant Index and is specified in "Principal Terms" above.

The "Calculation Date" is specified in "Principal Terms" above.

Unless specified otherwise in "Principal Terms" above, "Trading Day" means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

**Early Redemption at the Option of the Holders**

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under "—Redemption Procedures", you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in "Principal Terms" above. For any early redemptions, the applicable "Redemption Valuation Date" means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 Securities of any series. Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the "Redemption Date"). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the fourth Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under "— Market Disruption Event".

A "Regular Redemption" means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A "Large Redemption" means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

## General Terms of the Securities

*Regular Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus

(b) the Accrued Fees as of such Redemption Valuation Date, minus

(c) the Redemption Fee.

*Large Redemptions*

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "—Early Redemption at the Option of the Holders" as the "Large Redemption Measurement Period", minus

(b) the Accrued Fees as of such last Trading Day, minus

(c) the Redemption Fee.

We refer to the cash payments described above as the "Redemption Amount".

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose all or a substantial portion of your investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees, the Redemption Fee and/or Loss Redemption Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The "Accrued Tracking Fee" as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Accrued Financing Charge" as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such

Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The "Redemption Fee" means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Redemption and Repayment".

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than sixteen calendar days' prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in "Principal Terms" above through and including the Calculation Date in "Principal Terms" above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "— UBS's Call Right" as the "Call Measurement Period", minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Call Settlement Amount".

If the amount calculated above is less than zero, the payment upon UBS's exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the "Call Valuation Date" will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the "Call Settlement Date"). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

You may lose all or a substantial portion of your investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The "Accrued Tracking Fee" as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Call Measurement Period *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

**Acceleration Upon Minimum Indicative Value**

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an "Acceleration Date"), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section "— Acceleration Upon Minimum Indicative Value" as the "Acceleration Measurement Period") for a cash payment equal to

(a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus

(b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Acceleration Amount". The "Floor Level" of any series of the Securities is specified in "Principal Terms" above and is subject to adjustment in the case of a split or reverse split as described under "Valuation of the Index and the Securities — Split or Reverse Split of the Securities". If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities. An Acceleration Date can occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

You may lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The "Accrued Tracking Fee" as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The "Accrued Financing Charge" as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The "Acceleration Settlement Date" will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in "Principal Terms" above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see "Valuation of the Index and the Securities".

**Loss Rebalancing Event Upon Large Decreases in the Indicative Value**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A "Loss Rebalancing Event" means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the "LR Valuation Date" is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event".

With respect to a LR Valuation Date, the "LR Reset Date" is the first Trading Day following a LR Valuation Date, subject to adjustment as described under "— Market Disruption Event".

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

> *New* Current Principal Amount = 99.995% □ LR Current Principal Amount.
>
> LR Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable LR Valuation Date — Accrued Fees on the applicable LR Valuation Date.

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the "*New* Current Principal Amount" on a Quarterly Reset Date, except that:

(1) the LR Reset Date will be the Quarterly Reset Date;

(2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;

(3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;

(4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;

(5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and

(6) the Financing Level will be reduced to equal the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of “Financing Rate” two London business days preceding LR Valuation Date and referred to as “L2”) is less than the actual Financing Rate (“L1”), the Current Principal Amount will be further reduced by an amount equal to:

(L1-L2) × (Current Principal Amount - *New* Current Principal Amount) × (the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date) *divided by* 360.

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a “Loss Rebalancing Fee”.

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

**Calculation Agent**

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October, 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An "Averaging Date" means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent's discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

(a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;

(c) the relevant Index is not published; or

(d) in any other event, including any time when a relevant market is closed for trading under ordinary circumstances, if the Calculation Agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the Securities (or relevant portion of the Securities) that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following event will not be Market Disruption Event with respect to the relevant Index:

(a) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation**

If the Index Sponsor or another entity that publishes the Index (such other entity to be named in "Principal Terms" above) discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a "Successor Index"), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described in the description of the relevant Index included in "Principal Terms" above. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (*e.g.*, as if such split had not occurred).

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem any series of the Securities in the circumstances described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Optional Tax Redemption". If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under "— Default Amount".

For the purpose of determining whether the holders of our Medium-Term Notes, Series B are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series B constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants".

**Default Amount**

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities”.

**Defeasance**

Neither full defeasance nor covenant defeasance, as described “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance”, will apply to the Securities.

**Reissuances or Reopened Issues**

We may, at our sole discretion, “reopen” or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in “Principal Terms” above. However, we may issue additional Securities in amounts that exceed the amount specified in “Principal Terms” above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Amounts That We May Issue”.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**Redemption Procedures**

The redemption procedures for Early Redemption are specified under “— Redemption Procedures” in “Principal Terms” above, provided that any reference herein to 12:00 noon (New York City time) as the cutoff time (1) to deliver notice of redemption and (2) for aggregating redemption requests to determine whether an early redemption is a Regular Redemption or a Large Redemption shall be 9:00 a.m. (New York City time).

**Additional Terms of the Securities**

The general terms of the Securities in are modified by the specific definitions and terms below.

“Intraday Indicative Value” means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol “FIHDIV”.

“Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) the level of the Index is published by the Index Sponsor, in each case as determined by the Calculation Agent.

“Primary Exchange” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

**4. ETRACS UBS Bloomberg Constant Maturity Commodity Index (CMCI) Total Return ETN Series B due April 5, 2038**

**Specific Terms of the Securities**

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depositary. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in ”Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

These Securities are part of a single series of senior debt securities issued under our indenture dated as of June 12, 20015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

**Principal Amount:** $100,000,000

**Issuer:** UBS AG (London Branch)

**Coupon**

We will not pay you interest during the term of the Securities.

**Denomination**

The Stated Principal Amount of the Securities is $25 per Security.

**Payment at Maturity or Upon Early Redemption**

At maturity or upon early redemption, you will receive a cash payment per $25 Stated Principal Amount of your Securities equal to the Redemption Amount, which is calculated on the Final Valuation Date or the applicable Valuation Date, as the case may be, and based on the percentage change in the level of the Index from the Initial Trade Date relative to such Valuation Date.

The “Redemption Amount” will equal:

$$(\$25.00 \times \text{Index Performance Ratio}) - \text{Fee Amount}$$

For purposes of calculating the Redemption Amount at maturity or upon early redemption, the Index Performance Ratio will be determined as of the corresponding Final Valuation Date or Valuation Date, as the case may be. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The “Index Performance Ratio” will be calculated as follows:

$$\frac{\text{Index Ending Level}}{\text{Index Starting Level}}$$

The “Index Starting Level” is 1,436.54, the closing level of the Index measured on April 1, 2008.

The “Index Ending Level” will equal the closing level of the Index on the applicable Trading Day.

The “Fee Amount” accrues on a daily basis. The initial Fee Amount will be $0.9565 and beginning on and including the Initial Trade Date will increase each subsequent calendar date by an amount equal to: (0.55%/365) x $25.00 x Index Performance Ratio on that day. For the purpose of calculating the Fee Amount, the Index Performance Ratio on any day that is not a Trading Day is the Index Performance Ratio as of the immediately preceding Trading Day.

Unlike ordinary debt securities, the Securities do not pay interest and do not guarantee any return of principal at maturity or upon an early redemption.

The Securities are fully exposed to any decline in the level of the Index. You may lose some or all of your investment if the Index level on the Final Valuation Date or the applicable Valuation Date, as the case may be, is less than the Index Starting Level or if the Index level does not increase by an amount sufficient to offset the negative effect of the Fee Amount. In addition, the Fee Amount will be calculated and accumulated based on a daily Index level and therefore will depend on the daily fluctuations of the Index level. If the amount calculated above is equal to or less than zero, the payment at maturity, call or upon early redemption will be zero.

To receive at least your Stated Principal Amount at maturity or upon early redemption, the Index must increase by a certain amount to offset the reduction to the Redemption Amount caused by the Fee Amount.

**Maturity Date**

The "Maturity Date" is April 5, 2038, unless that day is not a Business Day, in which case the Maturity Date will be the next following Business Day. If the third Trading Day before April 5, 2038 does not qualify as the Final Valuation Date as determined in accordance with "— Final Valuation Date" below, then the Maturity Date will be the third Trading Day following the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is also a Business Day. The Calculation Agent may postpone the Final Valuation Date — and therefore the Maturity Date — if a market disruption event occurs or is continuing on a day that would otherwise be the Final Valuation Date. We describe market disruption events under "— Market Disruption Event" below.

**Final Valuation Date**

We currently expect the "Final Valuation Date" to be March 31, 2038, unless the Calculation Agent determines that a market disruption event occurs or is continuing on that day. In that event, the Final Valuation Date will be the first following Trading Day on which the Calculation Agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the Final Valuation Date for the Securities be postponed by more than five (5) Trading Days.

**Underlying Index**

The return on the Securities is linked to the performance of the UBS Bloomberg Constant Maturity Commodity Index (CMCI) Total Return (the "Index"). The Index is designed to be a diversified benchmark for commodities as an asset class. The Index, which is rebalanced monthly, is comprised of futures contracts on 27 components, representing 24 commodities, with up to five different maturities for each individual commodity. The Index is a "total return" index. The overall return on the Index is generated by two components: (i) uncollateralized returns on the futures contracts comprising the Index and (ii) a daily fixed-income return, which reflects the interest earned on a hypothetical 91-day Treasury Bill portfolio theoretically deposited as margin for hypothetical positions in the futures contracts comprising the Index.

**Early Redemption**

You may elect to require UBS to redeem your Securities, in whole or in part, prior to the Maturity Date on any Trading Day through and including the final Redemption Date, subject to a minimum redemption amount of at least 50,000 Securities. If you elect to have UBS redeem your Securities, you will receive a cash payment equal to the Redemption Amount, which will be determined on the applicable Valuation Date and paid on the applicable Redemption Date. You must comply with the redemption procedures described below in order to redeem your Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 p.m. (New York City time) on any Trading Day. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;

- ➢ instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Valuation Date at a price equal to the Redemption Amount; and
- ➢ cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 p.m. (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**Redemption Dates**

The "Redemption Dates" will be the third Trading Day following a Valuation Date (other than the Final Valuation Date) or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The final Redemption Date will be the third Trading Day following the Valuation Date that immediately precedes the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The Calculation Agent may postpone the applicable Valuation Date — and therefore the applicable Redemption Date — if a market disruption event occurs or is continuing on a day that would otherwise be the applicable Valuation Date. We describe market disruption events under "— Market Disruption Event" below.

**Valuation Dates**

For any early redemption, the applicable "Valuation Date" means the first Trading Day immediately following the Trading Day on which you deliver a redemption notice to UBS in compliance with the redemption procedures. In the event UBS exercises its Call Right (as defined below), the Valuation Date means the third Trading Day prior to the Call Settlement Date (as defined below). If the Calculation Agent determines that a market disruption event occurs or is continuing on a Valuation Date, the applicable Valuation Date will be the first following Trading Day on which the Calculation Agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the applicable Valuation Date for the Securities be postponed by more than five (5) Trading Days. The Final Valuation Date is March 31, 2038.

**UBS's Call Right**

On any Trading Day on or after October 17, 2016 through and including the Maturity Date (any such day, the "Call Settlement Date"), UBS may at its option redeem all, but not less than all, issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of the Securities not less than five (5) Trading Days prior to the Call Settlement Date specified by UBS in such notice. If UBS elects to redeem the Securities on the Call Settlement Date, the Holder will receive a cash payment equal to the Redemption Amount, which will be calculated on the applicable Valuation Date and paid on the Call Settlement Date. The Calculation Agent may postpone the applicable Valuation Date — and therefore the Call Settlement Date — if a market disruption event occurs and is continuing on a day that would otherwise be the applicable Valuation Date.

In the event we exercise our Call Right, references to payment upon early redemption also refer to payment upon our exercise of our call right. See "— Payment at Maturity or Upon Early Redemption." We discuss redemption "Medium-Term Notes, Series B" above under "Description of the Debt Securities We May Offer–Redemption and Payment."

**Market Disruption Event**

The Calculation Agent will determine the Index Ending Level on the applicable Valuation Date or the Final Valuation Date, as the case may be. If the level of the Index has declined, you may lose some or all of your investment. If the level of the Index has increased, it must have increased by an amount sufficient to offset the Fee Amount in order to receive a positive return on your Securities. As described above, the applicable Valuation Date or the Final Valuation Date, as the case may be, may be postponed and thus the determination of the Index Ending Level may be postponed if the Calculation Agent determines that, on the applicable Valuation Date or the Final Valuation Date, as the case may be, a market disruption event has occurred or is continuing. Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent's discretion, constitute a market disruption event, the Calculation Agent in its discretion may waive its right to postpone the determination of the Index Ending Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Ending Level on such date. If such a postponement occurs, the Calculation Agent will use the closing level of the Index on the first Trading Day on which no market disruption event occurs or is continuing. In no event, however, will the determination of the Index Ending Level be postponed by more than five (5) Trading Days.

If the determination of the Index Ending Level is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the date on which the Index Ending Level will be determined by the Calculation Agent. In such an event, the Calculation Agent will make a good faith estimate in its sole discretion of the Index Ending Level that would have prevailed in the absence of the market disruption event.

Any of the following will be a market disruption event:

- the absence or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in the Index;
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price;
- the Index is not published;
- the settlement price is not published for any individual exchange-traded futures contract included in the Index;
- the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects our currency hedging (if any) with respect to U.S. dollars or the currency of any futures contract included in the Index; or
- in any other event, if the Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect .

The following events will not be market disruption events:

- a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Commodity.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to a basket or any Index Commodities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in ”Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Series B medium-term notes, holders of specified percentages in principal amount of all Series B medium-term notes, together in some cases with other series of our debt securities, will be able to take action affecting all the Series B medium-term notes, including the Securities. This action may involve changing some of the terms that apply to the Series B medium-term notes, accelerating the maturity of the Series B medium-term notes after a default or waiving some of our obligations under the indenture. We discuss these matters in ”Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the applicable Valuation Date or the Final Valuation Date, as the case may be, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation**

If the Index Administrator discontinues publication of the Index and it or any other person or entity publishes a substitute index that the Calculation Agent determines is comparable to the Index and approves as a successor index, then the Calculation Agent will determine the Index Performance Ratio, Index Ending Level and the amount payable at maturity or upon early redemption by reference to such successor index.

If the Calculation Agent determines that the publication of the Index is discontinued and that there is no successor index on any date when the value of the Index is required to be determined, the Calculation Agent will instead make the necessary determination by reference to a group of commodities and options or another index and will apply a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the Index.

If the Calculation Agent determines that the exchange-traded futures contracts included in the Index or the method of calculating the Index has been changed at any time in any respect — and whether the change is made by the Index Administrator under its existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index Commodities or is due to any other reason — that causes the Index not to fairly represent the value of the Index had such changes not been made or that otherwise affects the calculation of the performance of the Index, the Index Ending Level or the amount payable at maturity or upon early redemption, then the Calculation Agent may make adjustments in the method of calculating the Index that it believes are appropriate to ensure that the Index Performance Ratio used to determine the amount payable on the Maturity Date or upon early redemption is equitable. All determinations and adjustments to be made by the Calculation Agent with respect to the performance of the Index, Index Ending Level, the amount payable at maturity or upon early redemption or otherwise relating to the level of the Index may be made by the Calculation Agent in its sole discretion.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption will be made to accounts designated by you and approved by us, or at the office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Trading Day**

Trading Day means a day on which (i) the value of the Index is published by Bloomberg or Reuters, (ii) trading is generally conducted on NYSE Arca and (iii) trading is generally conducted on the markets on which the futures contracts comprising the Index are traded, in each case as determined by the Calculation Agent in its sole discretion.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Maturity Date," "— Redemption Date" and "— Valuation Date" above.

**Role of Calculation Agent**

Our affiliate, UBS Securities LLC, will serve as the Calculation Agent for the Securities. We may change the Calculation Agent after the original issue date of the Securities without notice. The Calculation Agent will make all determinations regarding the value of the Securities at maturity or upon early redemption, market disruption events, Trading Days, the default amount, the Index Starting Level, the Index Ending Level and the amount payable in respect of your Securities. Absent manifest error, all determinations of the Calculation Agent will be final and binding on you and us, without any liability on the part of the Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the Calculation Agent.

**Reissuances or Reopened Issues**

We may at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**5. ETRACS Bloomberg Commodity Index Total Return$^{SM}$ ETN Series B due October 31, 2039**

**Specific Terms of the Securities**

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

**Principal Amount:** $336,842,900

**Issuer:** UBS AG (London Branch)

**Coupon**

We will not pay you interest during the term of the Securities.

**Denomination**

The Stated Principal Amount per Security is $25.00.

**Payment at Maturity, Call or Upon Early Redemption**

At maturity, call or upon early redemption, you will receive a cash payment per $25.00 principal amount of your Securities equal to the Redemption Amount, which is calculated on the Final Valuation Date or the applicable Valuation Date, as the case may be, and based on the percentage change in the level of the Index from the Initial Trade Date relative to such Valuation Date.

The "**Redemption Amount**" will equal:

($25.00 × Index Performance Ratio) — Fee Amount

For purposes of calculating the Redemption Amount at maturity or upon early redemption, the Index Performance Ratio will be determined as of the corresponding Final Valuation Date or Valuation Date, as the case may be.

The "**Fee Amount**" is equal to 0.50% per annum, which accrues on a daily basis, with the Fee Amount equal to $1.0823 on the Initial Trade Date, and then increasing, on each subsequent calendar day, by an amount equal to: (0.50%/365) × $25.00 × Index Performance Ratio on that day. If such day is not a Trading Day, the Index Performance Ratio will be calculated as of the immediately preceding Trading Day.

The "**Index Performance Ratio**" will be calculated as follows:

$$\frac{\text{Index Ending Level}}{\text{Index Starting Level}}$$

The "**Index Starting Level**" is 264.194, the closing level of the Index on October 28, 2009.

The "**Index Ending Level**" will equal the closing level of the Index on the applicable Valuation Date.

**Unlike ordinary debt securities, the Securities do not pay interest and do not guarantee any return of principal at maturity, call or upon an early redemption.**

**The Securities are fully exposed to any decline in the level of the Index. You may lose some or all of your investment if the Index level declines from the Initial Trade Date relative to the Final Valuation Date or the applicable Valuation Date, as the case may be, or if the Index does not increase as of such date by an amount sufficient to offset the cumulative effect of the Fee Amount.**

To receive at least your initial investment at maturity or upon early redemption, the Index must increase by a certain amount to offset the reduction to the Redemption Amount caused by the Fee Amount.

**Maturity Date**

The Maturity Date is October 31, 2039, unless that day is not a Business Day, in which case the Maturity Date will be the next following Business Day. If the third Trading Day before October 31, 2039 does not qualify as the Final Valuation Date as determined in accordance with "— Final Valuation Date" below, then the Maturity Date will be the third Trading Day following the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is also a Business Day. The calculation agent may postpone the Final Valuation Date — and therefore the Maturity Date — if a market disruption event occurs or is continuing on a day that would otherwise be the Final Valuation Date. We describe market disruption events under "— Market Disruption Event" below.

**Final Valuation Date**

We currently expect the Final Valuation Date to be the Trading Day that falls on October 26, 2039, unless the calculation agent determines that a market disruption event occurs or is continuing on that day. In that event, the Final Valuation Date will be the first following Trading Day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the Final Valuation Date for the Securities be postponed by more than five Trading Days.

**Underlying Index**

The return on the Securities is linked to the performance of the Bloomberg Commodity Index Total ReturnSM. The Index is composed of the prices of twenty-one exchange-traded futures contracts on physical commodities. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. The twenty-three commodities included in the Index for 2020 are as follows: aluminum, brent crude oil, coffee, copper, corn, cotton, gold, HRW wheat, lean hogs, live cattle, low sulfur gas oil, natural gas, nickel, RBOB gasoline, silver, soybeans, soybean meal, soybean oil, sugar, wheat, WTI crude oil, ULS diesel and zinc. The Index is a "total return" index. The overall return on the Index is generated by two components: (i) unleveraged returns on futures contracts on the physical commodities comprising the Index and (ii) the returns that correspond to the weekly announced interest rate for specified 3-month U.S. Treasury Bills.

**Early Redemption**

You may elect to require UBS to redeem your Securities, in whole or in part, prior to the Maturity Date on any Trading Day, provided that the Trading Day is also a Business Day, through and including the final Redemption Date, subject to a minimum redemption amount of at least 50,000 Securities. If you elect to have UBS redeem your Securities, you will receive a cash payment equal to the Redemption Amount, which will be determined on the applicable Valuation Date and paid on the applicable Redemption Date. You must comply with the redemption procedures described below in order to redeem your Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. UBS reserves the right from time to time to waive this minimum redemption amount in its sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, to UBS via email no later than 12:00 noon (New York City time) on any Trading Day. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Valuation Date at a price equal to the Redemption Amount; and

- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**Redemption Dates**

The applicable Redemption Date will be the third Trading Day following a Valuation Date (other than the Final Valuation Date) or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The final Redemption Date will be the third Trading Day following the Valuation Date that immediately precedes the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is a Business Day, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Date to the date on which the notice of redemption is received by UBS rather than the first Trading Day following a Valuation Date. You should not assume that you will be entitled to any such acceleration. The calculation agent may postpone the applicable Valuation Date — and therefore the applicable Redemption Date — if a market disruption event occurs or is continuing on a day that would otherwise be the applicable Valuation Date. We describe market disruption events under "— Market Disruption Event" below.

**Valuation Dates**

For any early redemption, the applicable "**Valuation Date**" means the first Trading Day immediately following the Trading Day on which you deliver a redemption notice to UBS in compliance with the redemption procedures. In the event UBS exercises its call right, the Valuation Date means the third Trading Day prior to the Call Settlement Date (as defined below). If the calculation agent determines that a market disruption event occurs or is continuing on a Valuation Date, the applicable Valuation Date will be the first following Trading Day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the applicable Valuation Date for the Securities be postponed by more than five Trading Days. The Final Valuation Date is October 26, 2039.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than ten calendar days' prior notice to the holders of the Securities, such redemption to occur on any Trading Day (or if such day is not a Business Day, the next Trading Day that is also a Business Day) that we may specify through and including the Maturity Date (the "**Call Settlement Date**"). Upon early redemption in the event we exercise our call right, you will receive a cash payment equal to the Redemption Amount, which will be calculated on the applicable Valuation Date and paid on the Call Settlement Date. The calculation agent may postpone the applicable Valuation Date — and therefore the Call Settlement Date — if a market disruption event occurs and is continuing on a day that would otherwise be the applicable Valuation Date.

In the event we exercise our call right, references to payment upon early redemption also refer to payment upon our exercise of our call right. See "— Payment at Maturity, Call or Upon Early Redemption" above. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of the Debt Securities We May Offer — Redemption and Repayment."

**Market Disruption Event**

The calculation agent will determine the Index Ending Level on the applicable Valuation Date or the Final Valuation Date, as the case may be. If the level of the Index has declined, you will lose some or all of your investment. If the level of the Index has increased, it must have increased by an amount sufficient to offset the Fee Amount in order to receive a positive return on your Securities. As described above, the applicable Valuation Date or the Final Valuation Date, as the case may be, may be postponed and thus the determination of the Index Ending Level may be postponed if the calculation agent determines that, on the applicable Valuation Date or the Final Valuation Date, as the case may be, a market disruption event has occurred or is continuing. Notwithstanding the occurrence of one or more of the events below, which may, in the calculation agent's discretion, constitute a market disruption event, the calculation agent in its discretion may waive its right to postpone the determination of the Index Ending Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Ending Level on such date. If such a postponement occurs, the calculation agent will use the closing level of the Index on the first Trading Day on which no market disruption event occurs or is continuing. In no event, however, will the determination of the Index Ending Level be postponed by more than five Trading Days.

If the determination of the Index Ending Level is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the date on which the Index Ending Level will be determined by the calculation agent. In such an event, the calculation agent will make a good faith estimate in its sole discretion of the Index Ending Level that would have prevailed in the absence of the market disruption event.

Any of the following will be a market disruption event:

- the absence or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in the Index;
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day's settlement price;
- the Index is not published;
- the settlement price is not published for any individual exchange-traded futures contract included in the Index;
- the occurrence of any event on any day or any number of consecutive days as determined by the calculation agent in its sole and reasonable discretion that affects our currency hedging (if any) with respect to U.S. dollars or the currency of any futures contract included in the Index; or
- in any other event, if the calculation agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described below under "Use of Proceeds and Hedging".

The following events will not be market disruption events:

- a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Commodity.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to a basket or any Index Commodities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

If a market disruption event affecting any Index Commodity occurs during the fifth through the ninth Business Days of each month (the "**Hedge Roll Period**") in any month other than January, then the daily roll of the relevant Designated Contract for such Index Commodity will be postponed until the next available Business Day on which a market disruption event does not occur, and the calculation of the Index will be adjusted to reflect this. The Hedge Roll Period will be extended only if a market disruption event affects an Index Commodity on the scheduled final Business Day comprising the Hedge Roll Period.

If a market disruption event affecting any Index Commodity occurs during the January Hedge Roll Period, then the rolling or rebalancing of the relevant Designated Contract will occur in all cases over five Business Days on which no market disruption event exists at a rate of 20% per day. The January Hedge Roll Period, and the resulting rebalancing that is scheduled to occur, will be extended in all cases until the affected Designated Contract finishes rolling over five Business Days not affected by a market disruption event.

If a market disruption event occurs on a CIM Determination Date in respect of any lead future for an Index Commodity used in the calculation of the CIMs, then the settlement prices used to calculate the CIMs for such year will be from the first prior Business Day on which a market disruption event had not occurred in any such futures.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the calculation agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the applicable Valuation Date or the Final Valuation Date, as the case may be, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation**

If BISL (the Index administrator) discontinues publication of the Index and it or any other person or entity publish a substitute index that the calculation agent determines is comparable to the Index and approves as a successor index then the calculation agent will determine the Index Performance Ratio, Index Ending Level and the amount payable at maturity, call or upon early redemption by reference to such successor index.

If the calculation agent determines that the publication of the Index is discontinued and that there is no successor index on any date when the value of the Index is required to be determined, the calculation agent will instead make the necessary determination by reference to a group of commodities and options or another index and will apply a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index.

If the calculation agent determines that the exchange-traded futures contracts included in the Index or the method of calculating the Index has been changed at any time in any respect — and whether the change is made by the Index administrator under its existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index Commodities or is due to any other reason — that causes the Index not to fairly represent the value of the Index had such changes not been made or that otherwise affects the calculation of the performance of the Index, the Index Ending Level or the amount payable at maturity, call or upon early redemption, then the calculation agent may make adjustments in the method of calculating the Index that it believes are appropriate to ensure that the Index Performance Ratio used to determine the amount payable on maturity, call or upon early redemption is equitable. All determinations and adjustments to be made by the calculation agent with respect to the performance of the Index, Index Ending Level, the amount payable at maturity, call or upon early redemption or otherwise relating to the level of the Index may be made by the calculation agent in its sole discretion.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Trading Day**

"Trading Day" means a day on which (i) the value of the Index is published by Bloomberg L.P. or Reuters, (ii) trading is generally conducted on NYSE Arca and (iii) trading is generally conducted on the markets on which the futures contracts comprising the Index are traded, in each case as determined by the calculation agent in its sole discretion.

**Business Day**

When we refer to a "Business Day" with respect to the Securities, we mean a day that is a "business day" of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in in "Medium-Term Notes, Series B" above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Maturity Date," "— Redemption Date" and "— Valuation Date" above.

**Role of Calculation Agent**

Our affiliate, UBS Securities LLC, will serve as the calculation agent for the Securities. We may change the calculation agent after the original issue date of the Securities without notice. The calculation agent will make all determinations regarding the value of the Securities at maturity, call or upon early redemption, market disruption events, Trading Days, the default amount, the Index Starting Level, the Index Ending Level and the amount payable in respect of your Securities. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the calculation agent.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We may issue additional Securities in amounts that exceed the Stated Principal amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class, plus the aggregate Stated Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to (i) any over-allotment option we may grant to an agent and (ii) any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 6. ETRACS Alerian MLP Infrastructure Index ETN Series B due April 2, 2040

### Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depositary. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the VWAP Level calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period. We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.”

If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the difference between the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, and the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the “Tracking Fee Shortfall”) will be included in the Accrued Tracking Fee for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The “Coupon Payment Date” means the 15th Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be January 22, 2016.

The “Coupon Record Date” means the ninth Index Business Day following each Coupon Valuation Date.

The “Coupon Ex-Date,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second Exchange Business Day prior to the applicable Coupon Record Date.

The “Coupon Valuation Date” means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be December 30, 2015.

The “Reference Distribution Amount” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding September 30, 2015 to and including the first Coupon Valuation Date; and (ii) as of any other Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “Reference Holder” is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, *divided by* (ii) the product of (a) the Index Divisor as of that date, and (b) the Initial VWAP Level divided by 25.

“record date” means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

“ex-dividend date” means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

The “Quarterly Tracking Fee” means, as of any date of determination, an amount per Security equal to the product of (i) 0.2125% (equivalent to 0.85% per annum) and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The “Current Indicative Value,” as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount multiplied by (ii) a fraction, the numerator of which is equal to the VWAP Level (as defined under “— Cash Settlement Amount at Maturity”) as of such date and the denominator of which is equal to the Initial VWAP Level. As of October 7, 2015, the Current Indicative Value was 29.8737.

The “Accrued Tracking Fee” is:

(1) with respect to the first Coupon Valuation Date, an amount equal to:

the Quarterly Tracking Fee calculated as of the first Coupon Valuation Date (for the avoidance of doubt, the calculation of the Accrued Tracking Fee with respect to the first Coupon Valuation Date will be for a full quarter beginning from and excluding September 30, 2015);

(2) with respect to any Coupon Valuation Date, other than the first and last Coupon Valuation Dates, an amount equal to the Quarterly Tracking Fee as of such Coupon Valuation Date *plus* the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, if any; and

(3) with respect to the last Coupon Valuation Date, an amount equal to:

(a) the product of

(i) the Quarterly Tracking Fee as of such Coupon Valuation Date and

(ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 90, *plus*

(b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

**Cash Settlement Amount at Maturity**

The “Maturity Date” is April 2, 2040, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to:

(a) the product of

    (i) the Stated Principal Amount and

    (ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, *minus*

(c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The “Stated Principal Amount” of each Security is $25.00.

**You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index (as measured by the Final VWAP Level, as compared to the Initial VWAP Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or Adjusted Coupon Amount, as applicable, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment at maturity.**

The “Index Performance Ratio” on any Index Business Day is calculated as follows:

$$\frac{\text{Final VWAP Level}}{\text{Initial VWAP Level}}$$

The “VWAP” with respect to each Index constituent, as of any date of determination, is the volume-weighted average price of one unit of such Index constituent as determined by the VWAP Calculation Agent based on the Primary Exchange for each Index constituent. For information about how the VWAP will be calculated to the extent a Disrupted Day exists with respect to an Index constituent, please see “— Market Disruption Event.”

The “Initial VWAP Level” is 487.420, the VWAP Level on March 31, 2010, as determined by the VWAP Calculation Agent. See “— VWAP Calculation Agent” below.

The “Final VWAP Level,” as determined by the VWAP Calculation Agent, will be the arithmetic mean of the VWAP Levels measured on each Index Business Day during the Final Measurement Period or Call Measurement Period or on any applicable Redemption Measurement Date, as applicable.

The “VWAP Level,” as determined by the VWAP Calculation Agent as of any Index Business Day, is equal to (1) the sum of the products of (i) the VWAP of each Index constituent as of such date and (ii) the published share weighting of that Index constituent as of such date divided by (2) the Index Divisor as of such date, or expressed as a formula, as follows:

where:

$$\text{VWAP Level} = \frac{\sum_{i=1}^{n}(VWAP_{i,t} * W_{i,t})}{IndexDivisor_t}$$

$n$ is the number of Index constituents;

$VWAP_{i,t}$ is the VWAP of Index constituent i as of Index Business Day t;

$W_{i,t}$ is the published share weighting of Index constituent i as of Index Business Day t; and

$Index\ Divisor_t$ is the Index Divisor as of Index Business Day t.

As of October 7, 2015, the VWAP Level was 582.442.

The “Index Divisor,” as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index.

The “Accrued Tracking Fee” as of the last Index Business Day in the Final Measurement Period is an amount equal to:

(a) the product of

  (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in the Final Measurement Period and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 90, *plus*

(b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Final Measurement Period” means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “Stub Reference Distribution Amount” means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5 ths, 3/5 ths, 2/5 ths and 1/5 th of the shares of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The “Index Calculation Agent” means the entity that calculates and publishes the level of the Index, which is currently S&P.

The “Calculation Date” means March 23, 2040, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“Index Business Day” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“Exchange Business Day” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“Business Day” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“Primary Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

“Related Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

**Underlying Index**

The Alerian MLP Infrastructure Index measures the performance of energy infrastructure master limited partnerships (“MLPs”), and is calculated by S&P Dow Jones Indices using a float-adjusted, capitalization-weighted methodology. We refer to the MLPs included in the Index as the “Index constituents.” The Index constituents earn the majority of their cash flow from gathering and processing, liquefaction, midstream services, pipeline transportation, rail terminating and storage of energy commodities.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the Business Day immediately preceding the applicable Redemption Valuation Date, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the “Redemption Valuation Date” will be the first Index Business Day following the date that the applicable Redemption Notice and Redemption Confirmation are delivered. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Measurement Date (the "Redemption Date"). The first Redemption Date will be October 15, 2015. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

The applicable "Redemption Measurement Date" means the Index Business Day following the applicable Redemption Valuation Date, subject to adjustments as described under "— Market Disruption Event."

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

(a) the product of

  (i) the Stated Principal Amount and

  (ii) the Index Performance Ratio as of the Redemption Measurement Date, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Valuation Date if on the Redemption Measurement Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Accrued Tracking Fee as of the Redemption Measurement Date, *minus*

(e) the Redemption Fee Amount.

We refer to this cash payment as the "Redemption Amount." We have determined to offer all holders of the Securities the option, upon early redemption and solely for purposes of determining the Redemption Amount, but not for any other purpose, to elect that the Index Performance Ratio (which is used to calculate the Redemption Amount) be calculated using the Index Closing Level on the Redemption Measurement Date instead of the Final VWAP Level. If the redeeming holder so elects, the Index Performance Ratio will be calculated, for purposes of determining the Redemption Amount, as:

$$\frac{\text{Index Closing Level on the Redemption Measurement Date}}{\text{Initial VWAP Level}}$$

The "Index Closing Level" is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Measurement Date.

**You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final VWAP Level as compared to the Initial VWAP Level) does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount, you may be entitled to receive), you may lose some or all of your investment upon early redemption.**

The Accrued Tracking Fee as of the Redemption Measurement Date is an amount equal to:

(a) the product of

  (i) the Quarterly Tracking Fee calculated as of the Redemption Measurement Date, and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Redemption Valuation Date to and including the Redemption Measurement Date, and the denominator of which is 90,

*plus*

(b) the Adjusted Tracking Fee Shortfall, if any.

The "Adjusted Coupon Amount," with respect to any Redemption Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, and the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Redemption Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall will be included in the calculation of the Accrued Tracking Fee as of the applicable Redemption Measurement Date.

The "Adjusted Reference Distribution Amount," as of any Redemption Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to an Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date (or if the Redemption Valuation Date occurs prior to the first Coupon Valuation Date, the period from and excluding September 30, 2015) to and including such Redemption Valuation Date.

The "Adjusted Tracking Fee" is:

(1) as of any Redemption Valuation Date occurring prior to the first Coupon Valuation Date, an amount equal to:

the product of

(i) the Quarterly Tracking Fee as of such Redemption Valuation Date and

(ii) a fraction, the numerator of which is the total number of calendar days from and excluding September 30, 2015 to and including such Redemption Valuation Date, and the denominator of which is 90; and

(2) as of any Redemption Valuation Date occurring on or after the first Coupon Valuation Date, an amount equal to:

(a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*

(b) the product of

(i) the Quarterly Tracking Fee as of such Redemption Valuation Date and

(iii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date, and the denominator of which is 90.

The "Adjusted Tracking Fee Shortfall," as of any Redemption Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The "Redemption Fee Amount" means an amount equal to 0.125% of the Stated Principal Amount of the Securities.

*Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to "— UBS's Call Right" below.*

We discuss redemption in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Redemption and Payment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- ➢ deliver a notice of redemption, which we refer to as a "Redemption Notice" to UBS via email no later than 12:00 noon (New York City time) on the Business Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- ➢ deliver the signed confirmation of redemption, which we refer to as the "Redemption Confirmation," to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- ➢ instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- ➢ cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities, such redemption to occur on any Business Day that we may specify on or after October 17, 2016 through and including the Maturity Date (the "Call Settlement Date"). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

(a) the product of

(i) the Stated Principal Amount and

(ii) the Index Performance Ratio as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*

(e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "Call Settlement Amount."

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "Call Settlement Date"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "Call Measurement Period" means the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

**You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the Final VWAP Level, as compared to the Initial VWAP Level, is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment upon a call.**

The Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period is an amount equal to:

(a) the product of

(i) the Quarterly Tracking Fee calculated as of the last Index Business Day in such Call Measurement Period, and

(ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in such Call Measurement Period, and the denominator of which is 90, *plus*

(b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Adjusted Coupon Amount,” with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined in the preceding paragraph), calculated as of such Call Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Call Settlement Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall (as defined below) will be included in the calculation of the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period.

The “Adjusted Reference Distribution Amount,” as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The “Adjusted Tracking Fee” is, as of the Call Valuation Date, an amount equal to:

(a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*

(b) the product of

  (i) the Quarterly Tracking Fee as of such Call Valuation Date and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Call Valuation Date.

*Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders” above.*

**Security Calculation Agent**

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will determine, among other things, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Exchange Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**VWAP Calculation Agent**

The NYSE will on each day that is not a Disrupted Day (as defined below) act as the "VWAP Calculation Agent." The VWAP Calculation Agent will determine the VWAP of any Index constituent, the VWAP Level and the Final VWAP Level on any Index Business Day on which such VWAP, VWAP Level and Final VWAP Level are to be determined during the term of the Securities. The VWAP Calculation Agent determined the Initial VWAP Level of 487.420 as of March 31, 2010. All determinations made by the VWAP Calculation Agent will be at the sole discretion of the VWAP Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different VWAP Calculation Agent from time to time without your consent and without notifying you.

All calculations with respect to the VWAP of any Index constituent, any VWAP Level, and the Final VWAP Level will be rounded to the nearest thousandth, with five ten-thousandths rounded upward (e.g., .8765 would be rounded to .877).

**Market Disruption Event**

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Measurement Date, the VWAP and published share weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Measurement Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the "Deferred Averaging Date") with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the VWAP of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the VWAP Levels on the Index Business Days during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the VWAP and the published share weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the VWAP Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the VWAP Levels on June 6, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, but no other Market Disruption Event during the Final Measurement Period or Call Measurement Period, as applicable, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the VWAP for such disrupted Index constituent on June 7, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016.

If the Redemption Measurement Date for purposes of calculating a Redemption Amount is based on the VWAP Level on June 6, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Measurement Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Measurement Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Measurement Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the VWAP and share weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable VWAP Level based on its good faith estimate of the VWAP and share weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An "Averaging Date" means each of the Index Business Days during the Final Measurement Period or Call Measurement Period, as applicable, subject to adjustment as described herein.

A "Disrupted Day" with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the VWAP Level.

With respect to an Index constituent, a "Market Disruption Event" means:

(a) the occurrence or existence of a condition specified below:

(i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise,

(ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or

(iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or

(b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

(c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

(a) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and

(b) for purposes of clause (a) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

"Scheduled Closing Time" means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount." In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the

Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by S&P or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation**

If S&P discontinues publication of or otherwise fails to publish the Index, or S&P does not make the Index constituents, their share weighting and/or the Index Divisor available to the VWAP Calculation Agent, and the Index Sponsor, S&P or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their share weighting, and/or the Index Divisor are available to the VWAP Calculation Agent (such index being referred to herein as a "successor index"), then the VWAP Level for such successor index will be determined by the VWAP Calculation Agent by reference to the sum of the products of the VWAPs of the components underlying such successor index on the Primary Exchanges and each such component's respective weighting within the successor index (which sum will be adjusted by any index divisor used by such successor index) on the dates and at the times as of which the VWAP Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If S&P discontinues publication of the Index or does not make the Index constituents, their share weightings and/or Index Divisor available to the VWAP Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined, then the Security Calculation Agent will determine the relevant VWAP Levels using the VWAP and published share weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the VWAP Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the VWAP Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a VWAP level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the VWAP Levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Final VWAP Level, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant VWAP Levels calculated by the VWAP Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the VWAP Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a VWAP Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B".

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed such amount any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 7. ETRACS MVIS Business Development Companies Index ETN due April 26, 2041

### Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“**DTC**”) or another depositary. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

These Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. At maturity, you will receive a cash payment the amount of which will vary depending on the performance of the Index and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, as described under “— Cash Settlement Amount at Maturity.” We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.”

If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each quarterly Coupon Payment Date you will receive an amount in cash equal to the difference between the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, and the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on that Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the “Tracking Fee Shortfall”) will be included in the Accrued Tracking Fee and will reduce the Coupon Amount for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The “**Coupon Payment Date**” means the 15th Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second Exchange Business Day prior to the applicable Coupon Record Date.

The "**Coupon Valuation Date**" means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein..

The "**Reference Distribution Amount**" means as of any Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The "**Reference Holder**" is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, as described under "MVIS US Business Development Companies Index — Float Adjustment," *divided by* (ii) the product of (a) the Divisor as of that date and (b) the Initial Index Level *divided by* 25.

"**record date**" means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

"**ex-dividend date**" means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

The "**Annual Tracking Fee**" means, as of any date of determination, an amount per Security equal to the product of (i) 0.85% per annum and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The "**Current Indicative Value**," as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount *times* (ii) the Index Performance Ratio (as defined under "— Cash Settlement Amount at Maturity") as of such date, using the Index Closing Level on such date as the Final Index Level. As of July 30, 2021, the Current Indicative Value was $19.3744.

The "**Accrued Tracking Fee**" is:

(1) with respect to the first Coupon Valuation Date, an amount equal to the product of

   (a) the Annual Tracking Fee calculated as of the first Coupon Valuation Date, and

   (b) a fraction, the numerator of which is the total number of calendar days from and excluding September 30, 2015 to and including such Coupon Valuation Date, and the denominator of which is 365;

   and

(2) with respect to any Coupon Valuation Date other than the first Coupon Valuation Date, an amount equal to

   (a) the product of

      (i) the Annual Tracking Fee as of such Coupon Valuation Date, and

      (i) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 365, *plus*

   (b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

**Cash Settlement Amount at Maturity**

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to

(a) the product of

(i) the Stated Principal Amount and

(ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, *minus*

(c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the "Cash Settlement Amount." If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

**You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (*less* any Coupon Amounts, any Stub Reference Distribution Amount and/or Adjusted Coupon Amount, as applicable, you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment at maturity.**

The "Stated Principal Amount" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Stated Principal Amount.

The Index Performance Ratio on any Index Business Day is calculated as follows:

$$\frac{\text{Final Index Level}}{\text{Initial Index Level}}$$

The "**Initial Index Level**" is adjusted on the Effective Date to be equal to (a) the Index Closing Level of the Index on the Effective Date *multiplied by* (b) (i) 904.113 (the original Initial Index Level) *divided by* (ii) the Index Closing Level of the Original Index on the Effective Date. The adjusted Initial index Level is 692.808593.

As determined by the Security Calculation Agent, the "Final Index Level" is the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the Final Measurement Period or the Call Measurement Period, or the Index Closing Level on any Redemption Valuation Date; provided that if the Redemption Valuation Date falls in the Call Measurement Period or the Final Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Final Index Level on any date of determination during the Call Measurement Period or the Final Measurement Period shall equal (a) 1/10 *times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from and including the Call Valuation Date or the Calculation Date, as applicable, to but excluding the date of determination *plus* (ii) the number of Index Business Days from and including the date of determination to and including the last Index Business Day in the Call Measurement Period or the Final Measurement Period, as applicable, *times* the Index Closing Level on the date of determination.

The "**Index Closing Level**" is the closing level of the Index as reported on Bloomberg.

The "**Accrued Tracking Fee**" as of the last Index Business Day in the Final Measurement Period is an amount equal to

(a) the product of

(i) the Annual Tracking Fee calculated as of the last Index Business Day in the Final Measurement

(ii) Period and

(iii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 365, *plus*

(b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

The "**Final Measurement Period**" means the ten Index Business Days from and including the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

The "**Stub Reference Distribution Amount**" means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold nine-tenths, eight-tenths, seven-tenths, six-tenths, five-tenths, four-tenths, three-tenths, two-tenths and one-tenth of the shares of each Index constituent it would otherwise hold on the second, third, fourth, fifth, sixth, seventh, eighth, ninth and tenth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is Solactive AG as of market close on July 30, 2021.

The "**Calculation Date**" means April 9, 2041, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"**Index Business Day**" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"**Exchange Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading and is also a valid settlement date.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

**"Related Exchange"** means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is linked to the performance of the MVIS US Business Development Companies Index, the successor index to the Wells Fargo® Business Development Company Index (the "**Original Index**") effective after market close on the July 30, 2021 (the "**Effective Date**"). On April 26, 2021, the Security Calculation Agent announced that, pursuant to the terms of the Securities, it has determined that the Index is comparable to the Original Index and approved the Index as the successor index for the Securities following the discontinuation of publication of the Original Index. The Index is intended to measure the performance of the largest and most liquid companies which are treated as business development companies and are incorporated in the United States. The "**Index Sponsor**" is MV Index Solutions GmbH.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request on any Business Day during the term of the Securities to have us redeem your Securities ("**Redemption Notice**") on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption ("**Redemption Confirmation**") by no later than 5:00 p.m., New York City time, on any Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Valuation Date (the "Redemption Date"). The final Redemption Date will be April 18, 2041; provided that if a call notice has been issued, the last Redemption Valuation Date is the fifth Index Business Day prior to the Call Settlement Date in connection with the call notice. (See "Specific Terms of the Securities — UBS's Call Right"). If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

For any applicable redemption request, the "Redemption Valuation Date" will be the first Index Business Day following the date that the applicable Redemption Notice and Redemption Confirmation are delivered. You may request that UBS AG accelerate the Redemption Valuation Date to the date on which you deliver the applicable Redemption Notice and Redemption Confirmation instead of the Index Business Day following such date. If UBS AG approves such request, in its sole discretion on a case-by-case basis, the Redemption Valuation Date for such redemption shall be the date on which you deliver the applicable Redemption Notice and Redemption Confirmation instead of the Index Business Day following such date. You should not assume that you will be entitled to any such acceleration. UBS AG will be under no obligation to approve any such request, or to make any announcement regarding any decision by it to approve any such request.

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

(a) the product of

  (i) the Stated Principal Amount and

  (ii) the Index Performance Ratio as of the Redemption Valuation Date, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Valuation Date if on the Redemption Valuation Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Adjusted Tracking Fee Shortfall, if any, as of the Redemption Valuation Date, *minus*

(e) the Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

For purposes of calculating the Redemption Amount, either the Adjusted Coupon Amount will be included or the Adjusted Tracking Fee Shortfall will be subtracted, but not both.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

**You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (*less* any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment upon early redemption.**

The "Adjusted Coupon Amount," with respect to any Redemption Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of the applicable Redemption Valuation Date, and the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is greater than or equal to the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The “Adjusted Reference Distribution Amount,” as of any Redemption Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date.

The “**Adjusted Tracking Fee**” is, as of the Call Valuation Date or any Redemption Valuation Date, as applicable, an amount equal to:

(a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, *plus*

(b) the product of

(i) the Annual Tracking Fee as of such Redemption Valuation Date or Call Valuation Date and

(ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date or Call Valuation Date, and the denominator of which is 365.

The “**Adjusted Tracking Fee Shortfall,**” as of any Redemption Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The “**Redemption Fee Amount**” means, as of any date of determination, an amount per Security equal to the product of (i) 0.125% and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

*Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to “— UBS’s Call Right”.*

We discuss redemption in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon, New York City time, on the Business Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon, New York City time, or your confirmation of redemption after 5:00 p.m., New York City time, on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than 18 calendar days' prior notice to the holders of the Securities, such redemption to occur on any Exchange Business Day (or if such day is not an Exchange Business Day, the next Exchange Business Day) that we may specify through and including the Maturity Date (the "Call Settlement Date"). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

(a) the product of

(i) the Stated Principal Amount and (ii) the Index Performance Ratio as of the last Index Business

Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*

(e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "Call Settlement Amount."

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

If UBS issues a call notice on any calendar day, the "Call Valuation Date" will be the fifth Business Day following the calendar day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "Call Settlement Date"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "Call Measurement Period" means the ten Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

**You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (*less* any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount, you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment upon a call.**

The "**Accrued Tracking Fee**" as of the last Index Business Day in the Call Measurement Period is an amount equal to:

(a) the product of

(i) the Annual Tracking Fee calculated as of the last Index Business Day in the Call Measurement Period, and

(ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in the Call Measurement Period, and the denominator of which is 365, *plus*

(b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

The "Adjusted Coupon Amount," with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined below), calculated as of the Call Valuation Date, to the extent that the Adjusted Reference Distribution Amount, calculated as of the Call Valuation Date, is greater than or equal to the Adjusted Tracking Fee, calculated as of the Call Valuation Date.

The "Adjusted Reference Distribution Amount," as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to an Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The "**Adjusted Tracking Fee**", as of the Call Valuation Date, is an amount equal to

(a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*

(b) the product of

  (i) the Annual Tracking Fee as of such Call Valuation Date and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 365.

The "**Adjusted Tracking Fee Shortfall**," as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of the Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of the Call Valuation Date.

*Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to "— Early Redemption at the Option of the Holders".*

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will determine, among other things, the Current Indicative Value, the Final Index Level, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Index Business Day or Exchange Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate stated principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below) or on a Redemption Valuation Date, the Index Closing Level for such Averaging Date or Redemption Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the Index irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on the Index Business Days during the Final Measurement Period or the Call Measurement Period, or on the Redemption Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6, October 7, October 10, October 11, October 12, October 13 and October 14, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during the Final Measurement Period or the Call Measurement Period, as applicable, then the Index Closing Level on October 4 will be used twice to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October, 5, October 6, October 7, October 10, October 11, October 12, October 13 and October 14.

If the Redemption Valuation Date for purposes of calculating a Redemption Amount is based on the Index Closing Level on October 3, 2016 and there is a Market Disruption Event with respect to the Index on October 3, 2016, then the Index Closing Level on October 4, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Valuation Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Valuation Date, as applicable, is not an Index Business Day or a Market Disruption Event has occurred or is continuing with respect to the Index on such third Index Business Day, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event.

An "Averaging Date" means each of the Index Business Days during the Final Measurement Period or the Call Measurement Period, as applicable, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Security Calculation Agent's discretion, constitute a Market Disruption Event with respect to the Index, the Security Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index constituents for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index constituent equity interests.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium- Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuation of the Index; Alteration of Method of Calculation**

If the Index Sponsor or the Index Calculation Agent discontinues publication of or otherwise fails to publish the Index, and the Index Sponsor, the Index Calculation Agent or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index (such index being referred to herein as a "**successor index**"), then the Index Closing Level for such successor index will be determined by the Security Calculation Agent by reference to the successor index on the dates and at the times as of which the Index Closing Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or the Index Calculation Agent discontinues publication of the Index prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on, the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described under "MVIS US Business Development Companies Index — Corporate Events."

In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Current Indicative Value, the Final Index Level, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon redemption, if applicable, or the Call Settlement Amount that we will pay you on the Call Settlement Date, if applicable, based on the relevant index levels calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B".

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Defeasance**

Neither full defeasance nor covenant defeasance, as described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance," will apply to the Securities.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B".

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 8. ETRACS Alerian MLP Index ETN Series B due July 18, 2042

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015, between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the VWAP Level calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period. We refer to this cash payment as the "Cash Settlement Amount." If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under "— Early Redemption at the Option of the Holders."

The Securities may pay a cash coupon during their term.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the excess, if any, of the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, over the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the "Coupon Amount").

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the "Tracking Fee Shortfall") will be included in the Accrued Tracking Fee for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The "Coupon Payment Date" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be December 8, 2015.

The "Coupon Record Date" means the ninth (9th) Index Business Day following each Coupon Valuation Date.

The "Coupon Ex-Date," with respect to a Coupon Amount, means the first (1st) Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second (2nd) Exchange Business Day prior to the applicable Coupon Record Date.

The "Coupon Valuation Date" means the fifteenth (15th) of February, May, August and November of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be November 16, 2015.

The "Reference Distribution Amount" means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding August 17, 2015 to and including the first Coupon Valuation Date; and (ii) as of any other Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which are scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The "Reference Holder" is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, *divided by* (ii) the product of (a) the Index Divisor as of that date, and (b) the Initial VWAP Level *divided by* 25.

"record date" means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

"ex-dividend date" means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

The "Quarterly Tracking Fee" means, as of any date of determination, an amount per Security equal to the product of (i) 0.20% (equivalent to 0.80% per annum) and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The "Current Indicative Value," as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount *multiplied by* (ii) a fraction, the numerator of which is equal to the VWAP Level (as defined under "— Cash Settlement Amount at Maturity") as of such date and the denominator of which is equal to the Initial VWAP Level. As of October 7, 2015, the Current Indicative Value was 21.4587.

The "Accrued Tracking Fee" is:

(1) with respect to the first Coupon Valuation Date, an amount equal to

the Quarterly Tracking Fee calculated as of the first Coupon Valuation Date (for the avoidance of doubt, the calculation of the Accrued Tracking Fee with respect to the first Coupon Valuation Date will be for a full quarter beginning from and excluding August 17, 2015);

(2) with respect to any Coupon Valuation Date, other than the first and last Coupon Valuation Dates, an amount equal to the Quarterly Tracking Fee as of such Coupon Valuation Date, *plus* the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, if any; and

(3) with respect to the last Coupon Valuation Date, an amount equal to

    (a) the product of

        (i) the Quarterly Tracking Fee as of such Coupon Valuation Date and

        (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 90, *plus*

    (b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The calculation of the Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

**Cash Settlement Amount at Maturity**

The “Maturity Date” is July 18, 2042, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to

(a) the product of

(i) the Stated Principal Amount and

(ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, *minus*

(c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “Cash Settlement Amount.” If the amount calculated above is equal to or less than zero, the payment at maturity will be zero.

**You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index increases (as measured by the Final VWAP Level, as compared to the Initial VWAP Level), such increase may be insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, Stub Reference Distribution Amount and/ or Adjusted Coupon Amount, as applicable, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment at maturity.**

The “Stated Principal Amount” of each Security is $25.00.

The “Index Performance Ratio” on any Index Business Day is calculated as follows:

$$\frac{\text{Final VWAP Level}}{\text{Initial VWAP Level}}$$

The “VWAP” with respect to each Index constituent, as of any date of determination, is the volume-weighted average price of one unit of such Index constituent as determined by the VWAP Calculation Agent based on the Primary Exchange for each Index constituent. For information about how the VWAP will be calculated to the extent a Disrupted Day exists with respect to an Index constituent, please see “— Market Disruption Event.”

The “Initial VWAP Level” is 396.997, the VWAP Level on July 17, 2012, as determined by the VWAP Calculation Agent. See “— VWAP Calculation Agent” below.

The “Final VWAP Level,” as determined by the VWAP Calculation Agent, will be the arithmetic mean of the VWAP Levels measured on each Index Business Day during the Final Measurement Period or the Call Measurement Period or on any applicable Redemption Measurement Date, as applicable.

The “VWAP Level,” as determined by the VWAP Calculation Agent as of any Index Business Day, is equal to (1) the sum of the products of (i) the VWAP of each Index constituent as of such date and (ii) the published unit weighting of that Index constituent as of such date *divided by* (2) the Index Divisor as of such date, or expressed as a formula, as follows:

$$\textbf{VWAP Level} = \frac{\sum_{i=1}^{n}(VWAP_{i,t} * W_{i,t})}{\textit{Index Divisor}_t}$$

where:

*n* is the number of Index constituents;

*VWAPi,t* is the VWAP of Index constituent *i* as of Index Business Day *t*;

*Wi*, *t* is the published unit weighting of Index constituent *i* as of Index Business Day *t*; and

*Index Divisor t* is the Index Divisor as of Index Business Day t.

As of October 7, 2015, the VWAP Level was 340.761.

The "Index Divisor," as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index, as further described under "Alerian MLP Index — Index Equations".

The "Accrued Tracking Fee" as of the last Index Business Day in the Final Measurement Period is an amount equal to

(a) the product of

  (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in the Final Measurement Period and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 90, *plus*

(b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The "Final Measurement Period" means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

The "Stub Reference Distribution Amount" means, as of the last Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5 ths, 3/5 ths, 2/5 ths and 1/5 th of the shares of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or the Call Measurement Period.

The "Index Calculation Agent" means the entity that calculates and publishes the level of the Index, which is currently S&P.

The "Calculation Date" means July 9, 2042, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"Index Business Day" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"Exchange Business Day" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"Primary Exchange" means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

"Related Exchange" means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

**Underlying Index**

The Alerian MLP Index measures the composite performance of energy master limited partnerships ("MLPs"), and is calculated by S&P Dow Jones Indices using a float-adjusted, capitalization-weighted methodology. We refer to the MLPs included in the Index as the "Index constituents." The Index constituents earn the majority of their cash flow from qualifying activities involving energy commodities, which include pipeline transportation, gathering and processing, storage, production and mining, marketing, marine transportation, services, catalytic conversion, mineral interest, refining, regasification and other related activities.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the applicable Redemption Notice Date, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the "Redemption Notice Date" will be the date that the applicable Redemption Notice and Redemption Confirmation are delivered. If such Redemption Notice or Redemption Confirmation is delivered on a day that is not an Index Business Day, then the Redemption Notice Date shall be the next Index Business Day. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Measurement Date (the "Redemption Date"). The first Redemption Date will be October 15, 2015. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Measurement Date with respect to any of the Index constituents, such Redemption Measurement Date may be postponed as described under "— Market Disruption Event."

The applicable "Redemption Measurement Date" means the Index Business Day following the applicable Redemption Notice Date, subject to adjustments as described under "— Market Disruption Event."

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

(a) the product of

  (i) the Stated Principal Amount and

  (ii) the Index Performance Ratio as of the Redemption Measurement Date, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Measurement Date if on the Redemption Measurement Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Adjusted Tracking Fee Shortfall, if any, *minus*

(e) the Redemption Fee Amount.

We refer to this cash payment as the "Redemption Amount." We have determined to offer all holders of the Securities the option, upon early redemption and solely for purposes of determining the Redemption Amount, but not for any other purpose, to elect that the Index Performance Ratio (which is used to calculate the Redemption Amount) be calculated using the Index Closing Level on the Redemption Measurement Date instead of the Final VWAP Level. If the redeeming holder so elects, the Index Performance Ratio will be calculated, for purposes of determining the Redemption Amount, as:

$$\frac{\text{Index Closing Level on the Redemption Measurement Date}}{\text{Initial VWAP Level}}$$

The “Index Closing Level” is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Measurement Date.

**You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final VWAP Level) does not increase as compared to the Initial VWAP Level by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount you may be entitled to receive), you may lose some or all of your investment upon early redemption.**

The “Adjusted Coupon Amount,” with respect to any Redemption Measurement Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of such Redemption Measurement Date, and the Adjusted Tracking Fee, calculated as of such Redemption Measurement Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Redemption Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall will be included in the calculation of Redemption Amount.

The “Adjusted Reference Distribution Amount,” as of any Redemption Measurement Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date (or if the Redemption Measurement Date occurs prior to the first Coupon Valuation Date, the period from and excluding August 17, 2015) to and including such Redemption Measurement Date.

The “Adjusted Tracking Fee” is:

(1) as of any Redemption Measurement Date occurring prior to the first Coupon Valuation Date, an amount equal to the product of

    (i) the Quarterly Tracking Fee as of such Redemption Measurement Date and

    (ii) a fraction, the numerator of which is the total number of calendar days from and excluding August 17, 2015 to and including such Redemption Measurement Date, and the denominator of which is 90; and

(2) as of any Redemption Measurement Date occurring on or after the first Coupon Valuation Date, an amount equal to

    (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*

    (b) the product of

        (i) the Quarterly Tracking Fee as of such Redemption Measurement Date and

        (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Measurement Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of any Redemption Measurement Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Measurement Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Measurement Date.

The “Redemption Fee Amount” means an amount equal to 0.125% of the Current Indicative Value.

*Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to “— UBS Call Right.”*

We discuss redemption in " Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Redemption and Repayment".

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via e-mail no later than 12:00 noon, New York City time, on the applicable Redemption Notice Date. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "Redemption Confirmation," to us via facsimile in the specified form by 5:00 p.m., New York City time on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Measurement Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon, New York City time, or your confirmation of redemption after 5:00 p.m., New York City time, on the applicable Redemption Notice Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

**UBS Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen calendar days' prior notice to the holders of the Securities, such redemption to occur on any Business Day that we may specify on or after October 17, 2016 through and including the Maturity Date (the "Call Settlement Date"). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of

(i) the Stated Principal Amount and

(ii) the Index Performance Ratio as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*

(c) the Adjusted Coupon Amount, if any, *minus*

(d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*

(e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "Call Settlement Amount."

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

If UBS issues a call notice on any calendar day, the "Call Valuation Date" will be the last Business Day of the week in which the call notice is issued, generally Friday, subject to a minimum five (5) calendar day period commencing on the date of the issuance of the call notice and ending on the related Call Valuation Date. If UBS issues a call notice on a Friday, the related

Call Valuation Date will fall on the following Friday. The Call Settlement Date will be the third Business Day following the last Index Business Day in the Call Measurement Period.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "Call Settlement Date"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "Call Measurement Period" means the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

**You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the Final VWAP Level, as compared to the Initial VWAP Level, is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment upon a call.**

The Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period is an amount equal to

(a) the product of

  (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in such Call Measurement Period, and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in such Call Measurement Period, and the denominator of which is 90, *plus*

(b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The "Adjusted Coupon Amount," with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined in the preceding paragraph), calculated as of such Call Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Call Settlement Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall (as defined below) will be included in the calculation of the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period.

The "Adjusted Reference Distribution Amount," as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to an Index constituent, for those cash distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The "Adjusted Tracking Fee" is:

as of the Call Valuation Date, an amount equal to

(a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, *plus*

(b) the product of

  (i) the Quarterly Tracking Fee as of such Call Valuation Date and

  (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Call Valuation Date.

*Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders”.*

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will determine, among other things, the Current Indicative Value, Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Exchange Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. The holder of the Securities shall not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**VWAP Calculation Agent**

The NYSE will on each day that is not a Disrupted Day (as defined below) act as the VWAP Calculation Agent. The VWAP Calculation Agent will determine the VWAP of any Index constituent, the VWAP Level and the Final VWAP Level on any Index Business Day on which such VWAP, VWAP Level and Final VWAP Level are to be determined during the term of the Securities. The VWAP Calculation Agent determined the Initial VWAP Level of 396.997 as of July 17, 2012. All determinations made by the VWAP Calculation Agent will be at the sole discretion of the VWAP Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different VWAP Calculation Agent from time to time without your consent and without notifying you.

All calculations with respect to the VWAP of any Index constituent, any VWAP Level and the Final VWAP Level will be rounded to the nearest thousandth, with five ten-thousandths rounded upward (*e.g.*, .8765 would be rounded to .877).

**Market Disruption Event**

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Measurement Date, the VWAP and published unit weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Measurement Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the "Deferred Averaging Date") with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the VWAP of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the VWAP Levels on the Index Business Days during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the VWAP and the published unit weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the VWAP Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or the Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the VWAP Levels on June 6, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, but no other Market Disruption Event during the Final Measurement Period or the Call Measurement Period, as applicable, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the VWAP for such disrupted Index constituent on June 7, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016.

If the Redemption Measurement Date for purposes of calculating a Redemption Amount is based on the VWAP Level on June 6, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Measurement Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Measurement Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Measurement Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the VWAP and unit weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable VWAP Level based on its good faith estimate of the VWAP and unit weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An "Averaging Date" means each of the Index Business Days during the Final Measurement Period or the Call Measurement Period, as applicable, subject to adjustment as described herein.

A "Disrupted Day" with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the VWAP Level.

With respect to an Index constituent, a "Market Disruption Event" means:

(a) the occurrence or existence of a condition specified below:

  (i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

  (ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or

  (iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or

(b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

(c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

(a) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and

(b) for purposes of clause (a) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

"Scheduled Closing Time" means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described in " Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Optional Tax Redemption". If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount." In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four (4) Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in Stated Principal Amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the "Medium-Term Notes, Series B" after a default or waiving some of our obligations under the indenture. We discuss these matters in " Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount in U.S. dollars for the principal of the Securities, as determined by the Security Calculation Agent in its sole discretion, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third (3rd) Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third (3rd) Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and is rated either:

- A-1 or higher by S&P or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation**

If S&P discontinues publication of or otherwise fails to publish the Index, or S&P does not make the Index constituents, their unit weighting and/or the Index Divisor available to the VWAP Calculation Agent, and the Index Sponsor, S&P or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their unit weighting, and/or the Index Divisor are available to the VWAP Calculation Agent (such index being referred to herein as a "successor index"), then the VWAP Level for such successor index will be determined by the VWAP Calculation Agent by reference to the sum of the products of the VWAPs of the components underlying such successor index on the Primary Exchanges and each such component's respective weighting within the successor index (which sum will be adjusted by any index divisor used by such successor index) on the dates and at the times as of which the VWAP Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If S&P discontinues publication of the Index or does not make the Index constituents, their unit weightings and/or Index Divisor available to the VWAP Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined, then the Security Calculation Agent will determine the relevant VWAP Levels using the VWAP and published unit weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described under "Alerian MLP Index — Index Rebalancings." In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the VWAP Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the VWAP Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a VWAP level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the VWAP Levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Final VWAP Level, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant VWAP Levels calculated by the VWAP Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the VWAP Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a VWAP Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in " Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities".

**Modified Business Day**

As described in " Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate principal amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to " Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Amounts That We May Issue".

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

### 9. ETRACS Monthly Pay 2xLeveraged US Small Cap High Dividend ETN Series B, due November 10, 2048

**Specific Terms of the Securities**

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

**Coupon Payment**

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the "**Coupon Amount**").

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the

Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be December 21, 2018, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The "**Coupon Valuation Date**" means the 30th day of each month, and the 28th day of February of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be November 30, 2018.

The "**Reference Distribution Amount**" means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The "**Reference Holder**" is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is November 10, 2048, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the "**Cash Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount** × **Index Factor** | + | **Final Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value".

The Stated Principal Amount of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to November 30, 2018 (such period, the "**initial calendar month**") will equal $25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

*New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Monthly Valuation Date – Accrued Fees on the applicable Monthly Valuation Date

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under "— Loss Rebalancing Events".

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the "**Monthly Reset Date**" is the first Exchange Business Day of that month beginning on December 1, 2018 and ending on November 1, 2048, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the "**Monthly Valuation Date**" is the last Exchange Business Day of the previous calendar month beginning on November 30, 2018 and ending on October 31, 2048, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The "**Index Factor**" is: 1 + (2 × Index Performance Ratio).

The "**Index Performance Ratio**" may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the "Monthly Initial Closing Level" for the initial calendar month is 122.3841, the Index Closing Level on November 8, 2018. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for December 2018 will equal the Index Closing Level on November 30, 2018, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The "**Index Closing Level**" will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The "**Index Valuation Level**", as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) 1/5 *times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

"**Measurement Period**" means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The "**intraday indicative value**", or "**Indicative Value**" is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to (Current Principal Amount on the previous calendar day × Index Factor, calculated using the intraday indicative value of the Index) — Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The "**Current Indicative Principal Amount**", is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The "**Accrued Fees**" as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.

(c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.

(d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The "**Annual Tracking Fee**" is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The "**Annual Tracking Rate**" is 0.85%.

The Securities are subject to "**Accrued Financing Charges**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to $0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The "**Financing Level**" is, as of any date of determination, an amount that equals the Current Principal Amount.

The "**Financing Rate**" will equal the sum of (a) the "**Financing Spread**" of 0.80% and (b) the London interbank offered rate (British Banker's Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) ("**LIBOR**"), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London business day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The "**Final Measurement Period**" means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

The "**Stub Reference Distribution Amount**" means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the "record date" with respect to any Index Constituent Security, for those cash distributions whose "ex-dividend date" occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The "**Calculation Date**" means November 2, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"**Index Business Day**" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"**Exchange Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

"**Related Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is linked to the performance of the price return version of the Solactive US Small Cap High Dividend Index ("SOLSMHD"). The Index is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. The Index Sponsor and Index Calculation Agent is Solactive AG ("**Solactive**" or the "**Index Sponsor**").

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be November 15, 2018, and the final Redemption Date will be November 3, 2048. In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

| | | |
|---|---|---|
| **Closing Indicative Value** | **—** | **Redemption Fee Amount** |

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 4:00 p.m. (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after November 15, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$75,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$75,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

The "**Market Value**" of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by SMHBIV <Index> on Bloomberg.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount** × **Index Factor** | + | **Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.**

**In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option.** See "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value".

**Optional Acceleration Upon Minimum Indicative Value**

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals \$2.00 or less (the "**Indicative Value Optional Acceleration Trigger**") (each such day, an "**Optional Acceleration Date**"), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the "**Acceleration Option**").

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The "**Acceleration Amount**" will equal

(a) the product of

  (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The "**Acceleration Settlement Date**" will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The "**Acceleration Valuation Period**" will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under "— Market Disruption Event." Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of $2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date.

For a detailed description of how the minimum indicative value of the Securities is calculated see "Valuation of the Index and the Securities".

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

$$\begin{array}{c}\textbf{Current Principal}\\ \textbf{Amount}\\ \times\\ \textbf{Index Factor}\end{array} + \begin{array}{c}\textbf{Coupon}\\ \textbf{Amount}\end{array} - \begin{array}{c}\textbf{Accrued}\\ \textbf{Fees}\end{array} + \begin{array}{c}\textbf{Stub Reference}\\ \textbf{Distribution}\\ \textbf{Amount}\end{array}$$

**You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

### Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

*New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate times (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An “**Excluded Day**” means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

“**Loss Rebalancing Closing Level**” means the Index Closing Level on the Loss Rebalancing Valuation Date.

“**Loss Rebalancing Reset Date**” means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

“**Loss Rebalancing Valuation Date**” means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the "**Deferred Averaging Date**") with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on October 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An "**Averaging Date**" means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"),and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts

hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the

Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after November 8, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after November 8, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 10. ETRACS 2xMonthly Pay Leveraged Preferred Stock Index ETN due September 25, 2048

### Specific Terms of the Securities

In this section, references to "holders" or "you" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under "Medium-Term Notes, Series B" above. The terms described here supplement those described under "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the "Coupon Amount").

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be October 22, 2018, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The "**Coupon Valuation Date**" means the 30th day of each month, and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date was October 1, 2018.

The “**Reference Distribution Amount**” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The “**Maturity Date**” is September 25, 2048, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “**Cash Settlement Amount**.”

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount × Index Factor** | + | **Final Coupon Amount** | – | **Accrued Fees** | + | **Stub Reference Distributio n Amount** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option**. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value" below.

The Stated Principal Amount of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to September 30, 2018 (such period, the "**initial calendar month**") is equal to $25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

> *New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Monthly Valuation Date — Accrued Fees on the applicable Monthly Valuation Date

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under "— Loss Rebalancing Events".

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the "**Monthly Reset Date**" is the first Exchange Business Day of that month beginning on October 1, 2018 and ending on September 1, 2048, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the "**Monthly Valuation Date**" is the last Exchange Business Day of the previous calendar month beginning on September 30, 2018 and ending on August 31, 2048, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The "**Index Factor**" is: 1 + (2 × Index Performance Ratio).

The "**Index Performance Ratio**" may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the "Monthly Initial Closing Level" for the initial calendar month is 97.6983, the Index Closing Level on September 25, 2018. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for October 2018 is equal to the Index Closing Level on September 30, 2018, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The "**Index Closing Level**" will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The "**Index Valuation Level**", as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) 1/5 *times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

"**Measurement Period**" means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The "**intraday indicative value"**, or "**Indicative Value**" is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to (Current Principal Amount on the previous calendar day × Index Factor, calculated using the intraday indicative value of the Index) — Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The "**Current Indicative Principal Amount**", is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The "**Accrued Fees**" as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.

(c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.

(d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The "**Annual Tracking Fee**" is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The "**Annual Tracking Rate**" is 0.85%.The Securities are subject to "**Accrued Financing Charges**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to $0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The "**Financing Level**" is, as of any date of determination, an amount that equals the Current Principal Amount.

The "**Financing Rate**" will equal the sum of (a) the "**Financing Spread**" of 0.80% and (b) the London interbank offered rate (British Banker's Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) ("**LIBOR**"), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London business day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The "**Final Measurement Period**" means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

The "**Stub Reference Distribution Amount**" means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the "record date" with respect to any Index Constituent Security, for those cash distributions whose "ex-dividend date" occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The "**Calculation Date**" means September, 17, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"**Index Business Day**" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"**Exchange Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

"**Related Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is linked to the performance of the Solactive Preferred Stock ETF Index ("**SOLPRF**"). The Index is intended to track the price movements of an equally weighted portfolio of two ETFs that hold preferred securities of various issuers. We refer to the ETFs included in the Index as the "**Index Constituent Securities**." The Index Sponsor is Solactive AG ("**Solactive**" or the "**Index Sponsor**").

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date was October 2, 2018, and the final Redemption Date will be September 18, 2048.

In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date — Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

| **Closing Indicative Value** | **—** | **Redemption Fee Amount** |
|---|---|---|

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option**. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value" below.

We discuss these matters in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Redemption and Payment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice,**" to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 4:00 p.m. (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after September 30, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of

  (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $50,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $50,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

The "**Market Value**" of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by PFFLSO <Index> on Bloomberg.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount ×** | + | **Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.**

**In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option.** See "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value" below.

**Optional Acceleration Upon Minimum Indicative Value**

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals $2.00 or less (the "**Indicative Value Optional Acceleration Trigger**") (each such day, an "**Optional Acceleration Date**"), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed $2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the "**Acceleration Option**").

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The “**Acceleration Amount**” will equal

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The “**Acceleration Settlement Date**” will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The “**Acceleration Valuation Period**” will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under “— Market Disruption Event.” Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of $2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the minimum indicative value of the Securities is calculated see “Valuation of the Index and the Securities” below.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount × Index Factor** | + | **Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right**. See “Specific Terms of the Securities — UBS’s Call Right”.

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

*New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate times (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An "**Excluded Day**" means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

"**Loss Rebalancing Closing Level**" means the Index Closing Level on the Loss Rebalancing Valuation Date.

"**Loss Rebalancing Reset Date**" means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under "— Market Disruption Event."

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the "**Deferred Averaging Date**") with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on October 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An "**Averaging Date**" means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging" of the applicable prospectus supplement.

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above, under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 25, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after September 25, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees , the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation

Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

**Modified Business Day**

As described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover of the prospectus supplement at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participant.

## 11. ETRACS NYSE® Pickens CoreMidstream™ Index ETN due August 20, 2048

### Specific Terms of the Securities

In this section, references to "holders" or "you" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under "Medium-Term Notes, Series B" above. The terms described here supplement those described under "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the Index calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee . We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under "— Early Redemption at the Option of the Holders." If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under "— UBS's Call Right." If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the "**Coupon Amount**").

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date.

The final Coupon Amount will be included in the Cash Settlement Amount.

The "**Coupon Payment Date**" means the 15th Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be October 22, 2018.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Trading Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Trading Day prior to the applicable Coupon Record Date.

The "**Coupon Valuation Date**" means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be October 1, 2018.

The "**Reference Distribution Amount**" means:

(a) as of the first Coupon Valuation Date, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent, for those cash dividends or distributions whose "ex-dividend date" occurs during the period from and excluding the Initial Trade Date to and including the first Coupon Valuation Date; and

(b) as of any other Coupon Valuation Date, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent for those cash dividends or distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash dividends or distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the dividend or distribution to holders of such Index constituent by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The "**Reference Holder**" is, as of any date of determination, a hypothetical holder of a number of units or shares, as applicable, of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, divided by (ii) the product of (a) the Index Divisor as of that date, and (b) the Index Closing Level on the prior calendar day *divided by* the Current Principal Amount on the prior calendar day.

"**record date**" means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder or shareholder of such Index constituent in order to be entitled to receive such distribution.

"**ex-dividend date**" means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "Maturity Date" is August 20, 2048, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to:

(a) the product of

(i) the Current Principal Amount as of the calendar day immediately preceding the Calculation Date and

(ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount if on such last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*

(c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

**You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts and any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment at maturity.**

The "**Current Principal Amount**" for each Security will equal:

(a) on the Initial Trade Date, $25.00.

(b) on each subsequent calendar day, to but excluding the first day of an applicable Measurement Period:

(Current Principal Amount on the previous calendar day × Index Factor) — Accrued Tracking Fee

(c) on the last day of an applicable Measurement Period:

(Current Principal Amount on the calendar day immediately preceding the first day of the applicable Measurement Period × Index Factor) — Accrued Tracking Fee

To the extent the Current Principal Amount must be calculated during a Measurement Period, the Current Principal Amount on any day during the Measurement Period shall be calculated as if such day is the last day of the applicable Measurement Period and in such circumstances, clause (2) of the "Index Factor" definition (below) shall be determined by calculating (i) (A) (the Index Closing Level on each prior Trading Day, if any, of the applicable Measurement Period) + (the Index Closing Level on such determination date within the applicable Measurement Period × the number of Trading Days from and including such date of determination to, and including, the last Trading Day within the applicable Measurement Period), *divided by* (B) the number of scheduled Trading Days in the applicable Measurement Period; and (ii) dividing the result obtained under (i) above by the Index Closing Level on the Index Business Day immediately preceding the first day of the applicable Measurement Period

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The "**Index Factor**" will equal:

(1) on any Index Business Day prior to an applicable Measurement Period:

Index Closing Level on such Index Business Day divided by the Index Closing Level on the immediately preceding Index Business Day.

(2) on the last Index Business Day in a Measurement Period:

(i) the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period divided by (ii) the Index Closing Level on the Index Business Day immediately preceding the first day of the applicable Measurement Period.

The Index Factor will equal one (1) on any calendar day that is not an Index Business Day.

The "**Current Indicative Value**" as determined by the Security Calculation Agent, means, as of any time and date of determination, an amount per Security equal to:

(Current Principal Amount on the previous calendar day × Index Factor, calculated using the intraday indicative value of the Index) — Accrued Tracking Fee + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The actual trading price of the Securities in the secondary market may vary significantly from the indicative value.

On any day within a Measurement Period, the Current Indicative Value of the Securities shall be calculated as if such day is the last day of the applicable Measurement Period and in such circumstances, clause (2) of the "Index Factor" definition shall be determined by calculating (i) (A) (the Index Closing Level on each prior Trading Day, if any, of the applicable Measurement Period) + (the Index Closing Level on such determination date within the applicable Measurement Period × the number of Trading Days from and including such date of determination, to and including, the last Trading Day within the applicable Measurement Period), (B) the number of scheduled Trading Days in the applicable Measurement Period, and (ii) dividing the results obtained under (i) above by the Index Closing level on the Index Business Day immediately preceding the first day of the applicable Measurement Period.

The "**Index Closing Level**" is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The "Index Closing Level" on the Initial Trade Date (i.e. the Initial Index Level) was 1313.27.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently ICE Data Indices, LLC, which is also the Index Sponsor.

The "**Index Divisor**," as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index.

The Securities are subject to an "**Accrued Tracking Fee**" per Security equal to 0.85% per annum, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day prior to the beginning of a Measurement Period, the Accrued Tracking Fee is equal to (0.85% / 365) × Closing Indicative Value on the previous calendar day.

(c) On the last day of an applicable Measurement Period, the Accrued Tracking Fee is equal to (0.85% × a fraction, the numerator of which equals the number of calendar days from and including the first day of the applicable Measurement Period to but excluding the last day of the applicable Measurement Period and the denominator of which equals 365) × Closing Indicative Value as of the calendar day immediately preceding the first day of the applicable Measurement Period.

The Accrued Tracking Fee takes into account the performance of the Index, as reflected in the Closing Indicative Value.

The "**Final Measurement Period**" means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

"**Measurement Period**" means the Final Measurement Period or the Call Measurement Period, as applicable.

The "**Stub Reference Distribution Amount**" means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the "record date" with respect to any Index constituent, for those cash dividends or distributions whose "ex-dividend date" occurs during the period from and excluding the immediately preceding Coupon Valuation Date, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5ths, 3/5ths, 2/5ths and 1/5th of the shares/units of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The "**Calculation Date**" means August 12, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"**Index Business Day**" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Trading Day**" means any day on which the primary exchange for trading in the Securities is open for trading in the Securities.

"**Primary Exchange**" means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

"**Related Exchange**" means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

### Underlying Index

The NYSE® Pickens Core Midstream™ Index measures the performance of the common stock of corporations and units of master limited partnerships ("**MLPs**") which represent U.S. midstream energy fundamentals, agnostic of entity structure. The Index is calculated by ICE Data Indices, LLC (the "**Index Sponsor**") using a modified free-float market capitalization weighted methodology. We refer to the corporations, MLPs and any other entities included in the Index as the "**Index constituents**." The Index constituents earn the majority of their operating income from midstream energy activities (gathering and processing, liquefaction, pipeline transportation, rail terminating and storage of energy commodities).

### Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time to time to reduce or waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be August 27, 2018 and the final Redemption Date will be August 13, 2048. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value for the applicable Security as of such Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date — Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

**You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.**

### Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**," to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**," to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 4:00 p.m. (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

### UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify on or after August 25, 2019 through and including the Maturity Date (the "**Call Settlement Date**"). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

(a) the product of

(i) the Current Principal Amount as of the calendar day immediately preceding the Call Measurement Period and

(ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $100,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."; or

(b) if the Market Value of Securities outstanding as at the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $100,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

The "**Market Value**" of the Securities outstanding as of the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Current Indicative Value as of such Trading Day × number of Securities outstanding as reported by PYPESO <Index> on Bloomberg.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

**You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts and any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.**

*Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to "— Early Redemption at the Option of the Holders" above.*

### Security Calculation Agent

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will determine, among other things, the Current Principal Amount, Current Indicative Value, the Index Factor, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Valuation Date, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Redemption Date, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m. (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Valuation Date, the share/unit price and published share/unit weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the "**Deferred Averaging Date**") with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the share/unit price of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on the Index Business Days during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the share/ unit price and the published share/unit weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the Index Closing Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the Index Closing Levels on June 6, 2019, June 7, 2019, June 8, 2019, June 9, 2019 and June 10, 2019 and there is a Market Disruption Event for an Index constituent on June 6, 2019, but no other Market Disruption Event during the Final Measurement Period or Call Measurement Period, as applicable, then the share/ unit price for such disrupted Index constituent on June 7, 2019 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the share/ unit price for such disrupted Index constituent on June 7, 2019, June 7, 2019, June 8, 2019, June 9, 2019 and June 10, 2019.

If the Redemption Valuation Date for purposes of calculating a Redemption Amount is based on the Index Closing Level on June 6, 2019 and there is a Market Disruption Event for an Index constituent on June 6, 2019, then the share/unit price for such disrupted Index constituent on June 7, 2019 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Valuation Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Valuation Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Valuation Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the share/unit price and share weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable Index Closing Level based on its good faith estimate of the share/unit price and share/unit weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An "**Averaging Date**" means each of the Index Business Days during the Final Measurement Period or Call Measurement Period, as applicable, subject to adjustment as described herein.

A "**Disrupted Day**" with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the share/unit price of such Index constituent.

With respect to an Index constituent, a "**Market Disruption Event**" means:

(a) the occurrence or existence of a condition specified below:

    (i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise,

(ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or

(iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or

(b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

(c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

(i) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and

(ii) for purposes of clause (i) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

"**Scheduled Closing Time**" means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Optional Tax Redemption. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount." In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above, under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, as determined by the Security Calculation Agent, in U.S. dollars for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ,or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation**

If (i) the Index Sponsor discontinues publication of or otherwise fails to publish the Index, (ii) our license agreement with the Index Sponsor terminates, or (iii) the Index Sponsor does not make the Index constituents, their share/unit weighting and/or the Index Divisor available to the Security Calculation Agent, and, in each case, the Index Sponsor or another entity publishes a successor or substitute index licensed to UBS that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their share/unit weighting, and/or the Index Divisor are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), then the Security Calculation Agent will determine the Coupon Amounts, Current Principal Amounts, Index Factor, Current Indicative Value, Accrued Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, if our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index constituents, their share/unit weightings and/or Index Divisor available to the Security Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index level is to be determined, then the Security Calculation Agent will determine the relevant Index level using the Index level and published share/unit weighting of each Index constituent included in the Index or successor index, as applicable, on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amounts, Index Factor, Current Indicative Value, Accrued Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after August 20, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after August 20, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Current Principal Amount, the Current Indicative Value, the Index Factor, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above s.

**Modified Business Day**

As described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**12. ETRACS Monthly Pay 2xLeveraged US High Dividend Low Volatility ETN Series B due October 21, 2049**

**Specific Terms of the Securities**

In this section, references to "holders" or "you" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

**Coupon Payment**

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the "**Coupon Amount**").

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be November 20, 2019, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The "**Coupon Valuation Date**" means the 30th day of each month, and the 28th day of February of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be October 30, 2019.

The "**Reference Distribution Amount**" means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The "**Reference Holder**" is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is October 21, 2049, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the "**Cash Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

$$\textbf{Current Principal Amount} \times \textbf{Index Factor} + \textbf{Final Coupon Amount} - \textbf{Accrued Fees} + \textbf{Stub Reference Distribution Amount}$$

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as**

**applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option**. See "— UBS's Call Right" and "— Optional Acceleration Upon Minimum Indicative Value" below.

The Stated Principal Amount of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to October 31, 2019 (such period, the "**initial calendar month**") will equal $25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

> *New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Monthly Valuation Date – Accrued Fees on the applicable Monthly Valuation Date

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under "— Loss Rebalancing Events".

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the "**Monthly Reset Date**" is the first Exchange Business Day of that month beginning on November 1, 2019 and ending on October 1, 2049, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the "**Monthly Valuation Date**" is the last Exchange Business Day of the previous calendar month beginning on October 31, 2019 and ending on September 30, 2049, subject to adjustment as described under "— Market Disruption Event." If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The "**Index Factor**" is: 1 + (2 × Index Performance Ratio).

The "**Index Performance Ratio**" may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the "**Monthly Initial Closing Level**" for the initial calendar month is 230.9117, the Index Closing Level on October 24, 2019. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for November 2019 will equal the Index Closing Level on October 31, 2019, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The "**Index Closing Level**" will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The "**Index Valuation Level**", as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) 1/5 *times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

"**Measurement Period**" means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The "**intraday indicative value**", or "**Indicative Value**" is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to (Current Principal Amount on the previous calendar day × Index Factor, calculated using the intraday indicative value of the Index) — Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The "**Current Indicative Principal Amount**", is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The "**Accrued Fees**" as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.

(c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.

(d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The "**Annual Tracking Fee**" is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The "**Annual Tracking Rate**" is 0.85%. The Securities are subject to "**Accrued Financing Charges**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to $0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The "**Financing Level**" is, as of any date of determination, an amount that equals the Current Principal Amount.

The "**Financing Rate**" will equal the sum of (a) the "**Financing Spread**" of 0.80% and (b) the London interbank offered rate (British Banker's Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) ("**LIBOR**"), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London business day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The "**Final Measurement Period**" means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

The "**Stub Reference Distribution Amount**" means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the "record date" with respect to any Index Constituent Security, for those cash distributions whose "ex-dividend date" occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The "**Calculation Date**" means October 13, 2049, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

"**Index Business Day**" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

"**Exchange Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

"**Related Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is linked to the performance of the price return version of the Solactive US High Dividend Low Volatility Index ("SOLHDLV"). The Index is designed to measure the performance of 40 dividend yielding, relatively lower volatility Index Constituent Securities from the universe of the largest 1,000 U.S. listed stocks by market capitalization.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be October 30, 2019, and the final Redemption Date will be October 14, 2049. In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "Redemption Fee Amount" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

| **Closing Indicative Value** | **—** | **Redemption Fee Amount** |
|---|---|---|

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option**. See "— UBS's Call Right" and "— Optional Acceleration Upon Minimum Indicative Value" below.

We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after November 12, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $250,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

The "**Market Value**" of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by HDLBIV <Index> on Bloomberg.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount** × **Index Factor** | + | **Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.**

**In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option.** See "Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value" below.

**Optional Acceleration Upon Minimum Indicative Value**

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals $2.00 or less (the "**Indicative Value Optional Acceleration Trigger**") (each such day, an "**Optional Acceleration Date**"), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed $2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the "**Acceleration Option**").

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The “**Acceleration Amount**” will equal

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The “**Acceleration Settlement Date**” will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The “**Acceleration Valuation Period**” will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under “— Market Disruption Event.” Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of $2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Principal Amount × Index Factor** | + | **Coupon Amount** | — | **Accrued Fees** | + | **Stub Reference Distribution Amount** |

**You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right**. See “— UBS’s Call Right” above.

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

*New* Current Principal Amount = *previous* Current Principal Amount × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate times (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An "**Excluded Day**" means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

"**Loss Rebalancing Closing Level**" means the Index Closing Level on the Loss Rebalancing Valuation Date.

"**Loss Rebalancing Reset Date**" means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under "— Market Disruption Event."

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the "**Deferred Averaging Date**") with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on November 3, November 4, November 5, November 6 and November 7, and there is a Market Disruption Event with respect to the Index on November 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on November 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on November 4, November 4, November 5, November 6 and November 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on November 3 and there is a Market Disruption Event with respect to the Index on November 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on November 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An "**Averaging Date**" means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"),and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after October 24, 2019 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after October 24, 2019 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

**13. ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN due June 10, 2050**

## Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, plus (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, minus (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under "— Automatic Acceleration Upon Zero Value Event."

## Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receivein respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) onany calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend onthe Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date,which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The "**Accrued Dividend**" means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The "**Daily Dividend**" means, on any calendar day, an amount per Security equal to (a)(i) the IndexDividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The "**Index Dividend Point**" means, on any calendar day, an amount per Security equal to the *sum of theproducts* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose "ex-dividend date" occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The dataused to calculate the Index Dividend Point is the property of the Index Sponsor and investors may be required to pay a fee and meet any other requirements of the Index Sponsor, in order to access such information. See "Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors".

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose "ex-dividend date" occurs on such calendar day.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as providedherein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise by a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The "**Coupon Valuation Date**" means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be
June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

"**Coupon Business Day**" means any Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is June 10, 2050, which will be the third Business Day following the last IndexBusiness Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount socalculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has beensimplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Stated Principal Amount**" of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated PrincipalAmount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" per Security, will be calculated as follows:

a) On the Initial Trade Date, \$25.00 per Security;

b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amountper Security equal to:

   (Current Principal Amount on the immediately preceding calendar day × Index Factor) - Accrued Fees + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Securityequal to:

   (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) - Accrued Fees + Accrued Dividend +Measurement Period Cash Amount

d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See "— Automatic Acceleration Upon Zero Value Event".**

The actual trading price of the Securities in the secondary market may vary significantly from theirClosing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then yourSecurities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

(1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, $25.00 per Security;

(2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the CurrentPrincipal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

**If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

(1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under "— Market Disruption Event."

For purposes of the "Quarterly Reset Valuation Date" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

**If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Residual Factor**" will be calculated as follows:

a) on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four. For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 147.1048, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 147.1048, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

a) On the Initial Trade Date, $25.00.

b) On any other calendar day prior to the first day of an applicable Measurement Period: (Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) **-** Accrued Fees + Accrued Dividend.

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to: (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor, from the immediately preceding calendar day) **-** Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day

d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or "intraday indicative value") will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Tracking Fee is zero.

b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.

c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equalto the Daily Financing Fee on such calendar day.

d) If a Permanent Deleveraging Event occurs, then on any calendar day following the SecondPermanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.

c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment

factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

c) At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

d) From and including the first day of an applicable four-day Measurement Period:

   i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).

   ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

e) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $100,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $100,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MLPRSO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The "**Calculation Date**" means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of the Securities is based upon the performance of the Alerian MLP Index (Bloomberg: "AMZ"). The Index measures the composite performance of energy master limited partnerships ("MLPs"), and is calculated by S&P Dow Jones Indices using a capped, float-adjusted, capitalization weighted methodology. We refer to the MLPs included in the Index as the "Index Constituent Securities." The Index Constituent Securities earn the majority of their cash flow from qualifying activities involving energy commodities, which include pipeline transportation, gathering and processing, storage, production and mining, marketing, marine transportation, services, catalytic conversion, mineral interest, refining, regasification and other related activities.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| Redemption Amount | = | Closing Indicative Value | - | Redemption Fee Amount |
|---|---|---|---|---|

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $100,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $100,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MLPRSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A "**Zero Value Event**" occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the "Zero Value Event" definition, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The "**Zero Value Settlement Amount**" per Security will be calculated as follows:

a) On any calendar day, to but excluding the first day of an applicable Measurement Period:
(i) the Accrued Dividend, minus (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.

b) From and including the first day of an applicable Measurement Period:
(i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.

c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

a) If the Accrued Dividend was $0.04, the Accrued Fees was $0.01, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.03.

b) If the Accrued Dividend was $0.01, the Accrued Fees was $0.05, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.

c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was $0.01, the Accrued Fees was $0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was $6.59, then the Zero Value Settlement Amount would be $6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

| | | | | |
|---|---|---|---|---|
| Zero Value Settlement Amount | = | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

From and including the first day of an applicable Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Measurement Period Cash Amount on immediately preceding calendar day} + \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

The "**Zero Value Settlement Date**" will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see "Valuation of the Index and the Securities".

**You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the "Loss Rebalancing Event" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

"**Loss Rebalancing Valuation Date**" means:

a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A "**Permanent Deleveraging Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the "Permanent Deleveraging Event" definition, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

a) The "**First Permanent Deleveraging Valuation Date**" means:

   i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "**-** Market Disruption Event";

   ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event".

   The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event".

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

*plus*

the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 14. ETRACS Quarterly Pay 1.5X Leveraged MVIS BDC Index ETN due June 10, 2050

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under "— Automatic Acceleration Upon Zero Value Event."

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Coupon Amount** | = | **Accrued Dividend, on the immediately preceding Coupon Valuation Date** |

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The "**Accrued Dividend**" means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The "**Daily Dividend**" means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The "**Index Dividend Point**" means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose "ex-dividend date" occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See "Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors".

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose "ex-dividend date" occurs on such calendar day.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise by a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The "**Coupon Valuation Date**" means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

"**Coupon Business Day**" means any Index Business day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under
"— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" per Security, will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security;

b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount on the immediately preceding calendar day × Index Factor) — Accrued Fees + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount

d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "– Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

e) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, $25.00 per Security;

f) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

   *New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

**If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

1. Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
2. Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under "— Market Disruption Event."

For purposes of the "Quarterly Reset Valuation Date" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

**If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Residual Factor**" will be calculated as follows:

a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

   For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero

c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. Immediately after market close on the Effective Date, the Last Reset Index Closing Level is adjusted to be 536.663, the Index Closing Level of the successor index on the Effective Date, as reported by Bloomberg L.P.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. 536.663 is the Index Closing Level of the successor index on the Effective Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

a) On the Initial Trade Date, $25.00.

b) On any other calendar day prior to the first day of an applicable Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) — Accrued Fees + Accrued Dividend.

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value× Residual Factor, from the immediately preceding calendar day) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day

d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or "intraday indicative value") will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Tracking Fee is zero.

b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.

c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.

c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

c) From and including the first day of an applicable four-day Measurement Period:

i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).

ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $25,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $25,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by BDCXSO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is Solactive AG as of market close on July 30, 2021.

The "**Calculation Date**" means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is linked to the performance of the MVIS US Business Development Companies Index, the successor index to the Wells Fargo Business Development Company Index (the "**Original Index**") effective after market close on the July 30, 2021 (the "**Effective Date**") (Bloomberg: "MVBIZD"). On April 26, 2021, the Security Calculation Agent announced that, pursuant to the terms of the Securities, it has determined that the Index is comparable to the Original Index and approved the Index as the successor index for the Securities following the discontinuation of publication of the Original Index. The Index is intended to measure the performance of the largest and most liquid companies which are treated as business development companies and are incorporated in the United States. The "Index Sponsor" is MV Index Solutions GmbH.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a market disruption event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen

(18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its call right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a market disruption event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $25,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $25,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

> (i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by BDCXSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A "**Zero Value Event**" occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value

Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the "Zero Value Event" definition, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The "**Zero Value Settlement Amount**" per Security will be calculated as follows:

a) On any calendar day, to but excluding the first day of an applicable Measurement Period:

   (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.

b) From and including the first day of an applicable Measurement Period:

   (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.

c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

a) If the Accrued Dividend was $0.04, the Accrued Fees was $0.01, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.03.

b) If the Accrued Dividend was $0.01, the Accrued Fees was $0.05, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.

c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was $0.01, the Accrued Fees was $0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was $6.59, then the Zero Value Settlement Amount would be $6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

| | | | | |
|---|---|---|---|---|
| Zero Value Settlement Amount | = | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

From and including the first day of an applicable Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Measurement Period Cash Amount on immediately preceding calendar day} + \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

The "**Zero Value Settlement Date**" will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see "Valuation of the Index and the Securities".

**You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right.** See "Specific Terms of the Securities — UBS Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the "Loss Rebalancing Event" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

"**Loss Rebalancing Valuation Date**" means:

a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A "**Permanent Deleveraging Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the “Permanent Deleveraging Event” definition, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

a) The “**First Permanent Deleveraging Valuation Date**” means:

   i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “- Market Disruption Event”;

   ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event”.

   The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

   The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, market disruption events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a market disruption event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a market disruption event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the market disruption event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a market disruption event with respect to the Index on June 2, but no other market disruption event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a market disruption event during a four-day Final Measurement Period.

To the extent a market disruption event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a market disruption event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a market disruption event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such market disruption event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a market disruption event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such market disruption event.

Any of the following will be a market disruption event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be market disruption events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:
the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

*plus*

the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 15. ETRACS Monthly Pay 1.5x Leveraged Mortgage REIT ETN due June 10, 2050

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under "— Automatic Acceleration Upon Zero Value Event."

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Coupon Amount | = | Accrued Dividend, on the immediately preceding Coupon Valuation Date |

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The "**Accrued Dividend**" means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The "**Daily Dividend**" means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The "**Index Dividend Point**" means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose "ex-dividend date" occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See "Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors".

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose "ex-dividend date" occurs on such calendar day.

The "**Coupon Payment Date**" means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as provided herein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise by a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The "**Coupon Valuation Date**" means the 30th day of each month and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

"**Coupon Business Day**" means any Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the

Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under
"— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Stated Principal Amount**" of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" per Security, will be calculated as follows:

a) On the Initial Trade Date, \$25.00 per Security;

b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount on the immediately preceding calendar day × Index Factor) **-** Accrued Fees + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) **-** Accrued Fees + Accrued Dividend + Measurement Period Cash Amount

d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, $25.00 per Security;

2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

   *New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

**If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment.**
**You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and.

2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under "— Market Disruption Event."

For purposes of the "Quarterly Reset Valuation Date" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

**If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Residual Factor**" will be calculated as follows:

a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

   For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 156.926, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 156.926, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

a) On the Initial Trade Date, $25.00.

b) On any other calendar day prior to the first day of an applicable Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) - Accrued Fees + Accrued Dividend.

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor, from the immediately preceding calendar day) - Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day

d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or "intraday indicative value") will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee. If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Tracking Fee is zero.

b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.

c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily

Financing Fee on such calendar day.

d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.

c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

c) From and including the first day of an applicable four-day Measurement Period:

   i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).

   ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $100,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $100,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MVRLSO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently Solactive AG.

The "**Calculation Date**" means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is based upon the performance of the MVIS US Mortgage REITs Index (Bloomberg: "MVMORT"; Reuters: ".MVMORT"). The Index tracks the overall performance of publicly-traded mortgage REITs that are listed and incorporated in the United States and derive at least 50% of their revenues from mortgage-related activity.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| | | | | |
|---|---|---|---|---|
| Redemption Amount | = | Closing Indicative Value | - | Redemption Fee Amount |

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".**

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "Call Measurement Period" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $100,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $100,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MVRLSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A "**Zero Value Event**" occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the "Zero Value Event" definition, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The "**Zero Value Settlement Amount**" per Security will be calculated as follows:

a) On any calendar day, to but excluding the first day of an applicable Measurement Period:

   (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.

b) From and including the first day of an applicable Measurement Period:

   (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.

c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

a) If the Accrued Dividend was $0.04, the Accrued Fees was $0.01, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.03.

b) If the Accrued Dividend was $0.01, the Accrued Fees was $0.05, and the Measurement Period Cash Amount was $0, then the Zero Value Settlement Amount would be $0.

c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was $0.01, the Accrued Fees was $0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was $6.59, then the Zero Value Settlement Amount would be $6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

| | | | | |
|---|---|---|---|---|
| Zero Value Settlement Amount | = | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

From and including the first day of an applicable Measurement Period:

| | | | | | | |
|---|---|---|---|---|---|---|
| Zero Value Settlement Amount | = | Measurement Period Cash Amount on immediately preceding calendar day | + | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

The "**Zero Value Settlement Date**" will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see "Valuation of the Index and the Securities".

**You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the "Loss Rebalancing Event" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

"**Loss Rebalancing Valuation Date**" means:

a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A "**Permanent Deleveraging Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the "Permanent Deleveraging Event" definition, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

a) The "**First Permanent Deleveraging Valuation Date**" means:

   i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "- Market Disruption Event";

   ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event".

   The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt

Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

*plus*

the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 16. ETRACS Monthly Pay 1.5x Leveraged Closed-End Fund Index ETN due June 10, 2050

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of UBS AG debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

**Principal Amount:** $100,000,000

**Issuer:** UBS AG (London Branch)

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under "— Automatic Acceleration Upon Zero Value Event."

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Coupon Amount | = | Accrued Dividend, on the immediately preceding Coupon Valuation Date |

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The “**Accrued Dividend**” means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.
If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The “**Index Dividend Point**” means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as provided herein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise by a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each month and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

"**Coupon Business Day**" means any Index Business Day other than an Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" per Security, will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security;

b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount on the immediately preceding calendar day × Index Factor)—Accrued Fees + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

   (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount

d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, $25.00 per Security;

2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

   *New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

**If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment.**
**You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and.

2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under "— Market Disruption Event."

For purposes of the "Quarterly Reset Valuation Date" definition, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

**If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Residual Factor**” will be calculated as follows:

a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four. For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 622.5081, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 622.5081, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value”**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

a) On the Initial Trade Date, $25.00.

b) On any other calendar day prior to the first day of an applicable Measurement Period: (Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) — Accrued Fees + Accrued Dividend.

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to: (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor, from the immediately preceding calendar day) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day

d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or "intraday indicative value") will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Tracking Fee is zero.

b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.

c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.

c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.

c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

c) From and including the first day of an applicable four-day Measurement Period:

    i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).

    ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $50,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $50,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

> (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by CEFDSO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently ICE Data Services.

The "**Calculation Date**" means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the Securities is based upon the performance of the S-Network Composite Closed-End Fund Index (Bloomberg: "CEFX"). The Index is a mutual fund index designed to serve as a benchmark for closed-end funds listed in the U.S. that are principally engaged in asset management processes designed to produce taxable annual yield.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| Redemption Amount | = | Closing Indicative Value | - | Redemption Fee Amount |
|---|---|---|---|---|

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than $50,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than $50,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by CEFDSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A "**Zero Value Event**" occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the "Zero Value Event" definition, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The "**Zero Value Settlement Amount**" per Security will be calculated as follows:

a) On any calendar day, to but excluding the first day of an applicable Measurement Period:

   (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.

b) From and including the first day of an applicable Measurement Period:

(i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.

c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

a) If the Accrued Dividend was \$0.04, the Accrued Fees was \$0.01, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.03.

b) If the Accrued Dividend was \$0.01, the Accrued Fees was \$0.05, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.

c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was \$0.01, the Accrued Fees was \$0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was \$6.59, then the Zero Value Settlement Amount would be \$6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

| | | | | |
|---|---|---|---|---|
| Zero Value Settlement Amount | = | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

From and including the first day of an applicable Measurement Period:

| | | | | | | |
|---|---|---|---|---|---|---|
| Zero Value Settlement Amount | = | Measurement Period Cash Amount on immediately preceding calendar day | + | Accrued Dividend | - | Accrued Fees on date Zero Value Event occurred |

The “**Zero Value Settlement Date**” will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see “Valuation of the Index and the Securities”.

**You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.**

**In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right.** See “Specific Terms of the Securities — UBS’s Call Right”.

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the “Loss Rebalancing Event” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

"**Loss Rebalancing Valuation Date**" means:

a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A "**Permanent Deleveraging Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the "Permanent Deleveraging Event" definition, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

a) The "**First Permanent Deleveraging Valuation Date**" means:

   i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "- Market Disruption Event";

   ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event".

   The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event".

   The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt

Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

*plus*

the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify

the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

### 17. ETRACS Alerian Midstream Energy Index due June 21, 2050

**Specific Terms of the Securities**

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

**Principal Amount:** $400,000,000

**Issuer:** UBS AG (London Branch)

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under "— Early Redemption at the Option of the Holders." If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under "— UBS's Call Right." If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

**Coupon Payment**

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount, if any. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index Constituent Securities would have been entitled to receive in respect of the Index Constituent Securities during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, an amount per Security equal to zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or cash distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or cash distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or cash distribution payments from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

The "**Accrued Dividend**" means, as of any date of determination, an amount per Security equal to: (i) on the Initial Trade Date, $0.00 per Security; and (ii) on any subsequent calendar day (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* (c) the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The "**Daily Dividend**" means on any calendar day, an amount per Security equal to:

(a)(i) the Index Dividend Point, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *divided by* (b) the Index Closing Level on the immediately preceding calendar day.

The Daily Dividend will be rounded to four decimal places.

The Daily Dividend is intended to approximate the amount of distributions in US Dollars that a holder of the Securities would receive if such holder held an unleveraged investment in the Index Constituent Securities directly.

The "**Index Dividend Point**" on any calendar day, means an amount per Security equal to (a) (the *sum of the products of* (i) the cash value of distributions, that a hypothetical holder of one share of an Index Constituent Security, whose "ex-dividend date" occurs on such calendar day, would have been entitled to receive (adjustments relating to foreign exchange rate fixings or dividend withholding taxes, described below), and (ii) the number of index shares of that Index Constituent Security included in the Index as of such date), *divided by* (b) the Divisor as of such date.

In respect of distributions on any Canadian Index Constituent Securities, on their respective "ex-dividend date", the cash value of distributions will be deemed to be converted from Canadian Dollars to U.S. Dollars at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. Eastern Time on such ex-dividend date (the "**WM / Reuters FX Rate**"). These mid-market fixings are calculated by the WM Company based on Reuters data and appear on the Reuters pages WMRA.

Notwithstanding the foregoing, if the Security Calculation Agent determines on the relevant determination date that:

(a) the WM/ Reuters FX Rate has been discontinued (or otherwise ceases to be published), materially disrupted or is no longer representative of the underlying market or economic reality; or

(b) 4:00 p.m. Eastern Time is no longer the appropriate time for fixing the WM/Reuters FX Rate for any of the reasons set forth in (a) above,

then the Security Calculation Agent will, in the case of (a) use a substitute or successor provider of foreign exchange rates that it has determined in its sole discretion is most comparable to the WM / Reuters FX Rate, provided that if the Security Calculation Agent determines that there is an industry- accepted successor provider of foreign exchange rates, then the Security Calculation Agent shall use such successor provider of foreign exchange rates; or in the case of (b) use such other time for fixing of the foreign exchange rate as it has determined in its sole discretion is appropriate based on the WM / Reuters FX Rate, or such substitute or successor provider of foreign exchange rates, as it has determined in its sole discretion is most comparable to the WM / Reuters FX Rate, as set forth above.

As of the date of this prospectus supplement, the applicable dividend withholding tax would reduce the cash value of distributions in respect of any Canadian Index Constituent Security by 15% for purposes of calculating the Index Dividend Point. The 15% rate is subject to adjustment if there is a change under Canadian law or the tax treaty between the United States and Canada or to the Canadian dividend withholding tax rate applicable to a U.S. holder of a Canadian Index Constituent Security that is eligible for the benefits of the tax treaty between the United States and Canada.

In the event that an adjustment relating to foreign exchange rate fixings or dividend withholding taxes is made, we will issue a press release announcing such adjustment and the effective date for such adjustment.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Security for those cash distributions whose "ex-dividend date" occurs on such calendar day.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent in order to access such information. See "Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors".

The "**Divisor**" means, as of any date of determination, the divisor used by the Index Calculation Agent to calculate the Index Closing Level.

The "**Coupon Payment Date**" means the 15th Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be October 21, 2020, subject to adjustment. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The "**Coupon Valuation Date**" means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date. The first Coupon Valuation Date will be September 30, 2020.

"**Coupon Business Day**" means any Index Business Day other than an Index Business Day on which banking institutions in New York are not authorized or obligated by law, regulation or executive order to be open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution, and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is June 21, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under

"— Market Disruption Event."

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the "**Cash Settlement Amount**". If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Current Principal Amount.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "— UBS's Call Right".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The Current Principal Amount represents the notional investment in the Index Constituent Securities per Security at the close of trading on any calendar day.

The "**Current Principal Amount**" per Security, will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security;

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period

(Current Principal Amount on the previous calendar day × Index Factor)—Daily Tracking Fee

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor)

On any calendar day during the Measurement Period that is not an Index Business Day, the Current Principal Amount will be equal to the Current Principal Amount on the previous calendar day.

The minimum value of the Current Principal Amount on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The "**Index Factor**" on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, *divided by,* (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, *divided by,* (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The "**Residual Factor**" will be calculated as follows:

a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period

b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The "**Index Closing Level**" on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 335.0383 is the initial Index Closing Level measured on June 19, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The **"Current Indicative Value"** or "**intraday indicative value**", as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor (which is a component of the Current Principal Amount definition) will be determined using the Intraday Index Value.

Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Daily Tracking Fee**" means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

a) On the Initial Trade Date, $0.00 per Security;

b) On any subsequent calendar day:

   (0.75% / 365) × Current Principal Amount on the immediately preceding calendar day × Index Factor

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

   a. At the close of trading on such Index Business Day, the (Current Principal Amount, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.

c) From and including the first day of an applicable five-day Measurement Period:

   a. At the close of trading on each Index Business Day, will equal:

      (a) Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ( (i) Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee

   b. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $250,000,000, the Calculation Date, subject to adjustments as described under "Specific Terms of the Securities — Market Disruption Event";

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $250,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under "Specific Terms of the Securities — Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNASO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The "**Calculation Date**" means June 10, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The Alerian Midstream Energy Index (Bloomberg: "AMNA Index") is a broad-based composite of North American energy infrastructure companies who earn the majority of their cash flow from midstream activities involving energy commodities, such as gathering & processing, liquefaction, pipeline transportation, rail terminating, and storage of energy commodities. The Index is calculated by S&P Dow Jones Indices using a capped, float-adjusted, capitalization weighted methodology. We refer to the companies included in the Index as the "**Index Constituent Securities**").

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date —Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of such Redemption Valuation Date).

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

Redemption Amount = Closing Indicative Value — Redemption Fee Amount

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See — UBS's Call Right".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**," to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request.. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than $250,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."; or

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than $250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under " Specific Terms of the Securities — Market Disruption Event."

For the purpose of determining the Call Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNASO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.**

**Security Calculation Agent**

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, the Current Principal Amount and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "**absence of trading**" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount." In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus

- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ,or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Accrued Dividend, Daily Dividend, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 19, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after June 19, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 18. ETRACS Alerian Midstream Energy High Dividend Index ETN due July 19, 2050

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("DTC") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

The Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

**Principal Amount:** $250,000,000

**Issuer:** UBS AG (London Branch)

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under "— Early Redemption at the Option of the Holders." If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under "— UBS's Call Right." If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

### Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount, if any. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index Constituent Securities would have been entitled to receive in respect of the Index Constituent Securities during the relevant period. The Coupon Amount may be equal to zero.

The "**Coupon Amount**" means (i) on any calendar day that is not a Coupon Ex-Date, an amount per Security equal to zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Coupon Amount | = | Accrued Dividend, on the immediately preceding Coupon Valuation Date |

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or cash distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or cash distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or cash distribution payments from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

The “**Accrued Dividend**” means, as of any date of determination, an amount per Security equal to: (i) on the Initial Trade Date, \$0.00 per Security; and (ii) on any subsequent calendar day (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* (c) the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means on any calendar day, an amount per Security equal to:

(a)(i) the Index Dividend Point, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *divided by* (b) the Index Closing Level on the immediately preceding calendar day.

The Daily Dividend will be rounded to four decimal places.

The Daily Dividend is intended to approximate the amount of distributions in US Dollars that a holder of the Securities would receive if such holder held an unleveraged investment in the Index Constituent Securities directly.

The “**Index Dividend Point**” on any calendar day, means an amount per Security equal to (a) (the *sum of the products of* (i) the cash value of distributions, that a hypothetical holder of one share of an Index Constituent Security, whose “ex-dividend date” occurs on such calendar day, would have been entitled to receive (adjustments relating to foreign exchange rate fixings or dividend withholding taxes, described below), and (ii) the number of index shares of that Index Constituent Security included in the Index as of such date), *divided by* (b) the Divisor as of such date.

In respect of distributions on any Canadian Index Constituent Securities, on their respective “ex-dividend date”, the cash value of distributions will be deemed to be converted from Canadian Dollars to U.S. Dollars (i) prior to August 3, 2020, at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. London Time on such ex-dividend date, and (ii) on and after August 3, 2020, at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. Eastern Time on such ex-dividend date (the “**WM / Reuters FX Rate**”), provided, however, that if, for purpose of determining the Index Closing Level, the Index Sponsor converts the values of the Canadian Index Constituent Securities from Canadian Dollars to U.S. Dollars using a different USD/CAD foreign exchange rate or using the WM/Reuters USD/CAD exchange rate as of a different time, then such foreign exchange rate selected by the Index Sponsor for purposes of determining the Index Closing Level (and the time selected by the Index Sponsor for such exchange) shall also apply for purposes of determining the cash value of distributions on the Canadian Index Constituent Securities.

The WM/Reuters FX Rate mid-market fixings are calculated by the WM Company based on Reuters data and appear on the Reuters pages WMRA.

Notwithstanding the foregoing, if the Security Calculation Agent determines on the relevant determination date that:

(a) the WM/ Reuters FX Rate, or the applicable replacement foreign exchange rate determined by the Index Sponsor, has been discontinued (or otherwise ceases to be published), materially disrupted or is no longer representative of the underlying market or economic reality; or

(b) 4:00 p.m. London Time (or, on and after August 3, 2020, 4:00 p.m. Eastern Time) (or such other time selected by the Index Sponsor for purposes of converting the values of the Canadian Index Constituent Securities to determine the Index Closing Level) is no longer the appropriate time for fixing the applicable exchange rate for any of the reasons set forth in (a) above,

then the Security Calculation Agent will, in the case of (a) use a substitute or successor provider of foreign exchange rates that it has determined in its sole discretion is most comparable to the prior exchange rate, provided that if the Security Calculation Agent determines that there is an industry- accepted successor provider of foreign exchange rates, then the Security Calculation Agent shall use such successor provider of foreign exchange rates; or in the case of (b) use such other time for fixing of the foreign exchange rate as it has determined in its sole discretion is appropriate based on the WM / Reuters FX Rate, or such substitute or successor provider of foreign exchange rates, as it has determined in its sole discretion is most comparable to the prior exchange rate, as set forth above.

As of the date of this prospectus supplement, the applicable dividend withholding tax would reduce the cash value of distributions in respect of any Canadian Index Constituent Security by 15% for purposes of calculating the Index Dividend Point. The 15% rate is subject to adjustment if there is a change under Canadian law or the tax treaty between the United States and Canada or to the Canadian dividend withholding tax rate applicable to a U.S. holder of a Canadian Index Constituent Security that is eligible for the benefits of the tax treaty between the United States and Canada.

In the event that an adjustment relating to foreign exchange rate fixings (other than the change specified above, effective as of August 3, 2020) or dividend withholding taxes is made, we will issue a press release announcing such adjustment and the effective date for such adjustment.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent in order to access such information. See "Risk Factors – The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors".

The "**Divisor**" means, as of any date of determination, the divisor used by the Index Calculation Agent to calculate the Index Closing Level.

The "**Coupon Payment Date**" means the 15th Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be October 21, 2020, subject to adjustment. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment.

The "**Coupon Record Date**" means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The "**Coupon Ex-Date**," with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The "**Coupon Valuation Date**" means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date. The first Coupon Valuation Date will be September 30, 2020.

"**Coupon Business Day**" means any Index Business Day other than an Index Business Day on which banking institutions in New York are not authorized or obligated by law, regulation or executive order to be open.

"**record date**" means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution, and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

"**ex-dividend date**" means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

**Cash Settlement Amount at Maturity**

The "**Maturity Date**" is July 19, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the "**Cash Settlement Amount**". If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Current Principal Amount.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "—UBS's Call Right".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The Current Principal Amount represents the notional investment in the Index Constituent Securities per Security at the close of trading on any calendar day.

The "**Current Principal Amount**" per Security, will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security;

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period

(Current Principal Amount on the previous calendar day × Index Factor)—Daily Tracking Fee

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to: (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor)

On any calendar day during the Measurement Period that is not an Index Business Day, the Current Principal Amount will be equal to the Current Principal Amount on the previous calendar day.

The minimum value of the Current Principal Amount on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The "**Index Factor**" on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, *divided by,* (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, *divided by,* (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The "**Residual Factor**" will be calculated as follows:

a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period

b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The "**Index Closing Level**" on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 41.8766 is the initial Index Closing Level measured on July 15, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The **"Current Indicative Value"** or "**intraday indicative value**", as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor (which is a component of the Current Principal Amount definition) will be determined using the Intraday Index Value.

Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Daily Tracking Fee**" means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

a) On the Initial Trade Date, $0.00 per Security;

b) On any subsequent calendar day:

   (0.75% / 365) × Current Principal Amount on the immediately preceding calendar day × Index Factor

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) $0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period

b) On the first day of an applicable one-day Measurement Period:

   a. At the close of trading on such Index Business Day, the (Current Principal Amount, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.

c) From and including the first day of an applicable five-day Measurement Period:

   a. At the close of trading on each Index Business Day, will equal:

      i. Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ((i) Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee

      ii. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $150,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $150,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNDSO <Index> on Bloomberg L.P.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently S&P DJI Netherlands B.V.

The "**Calculation Date**" means July 8, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The Alerian Midstream Energy Dividend Index (Bloomberg: "AEDW") is a fundamentally-weighted index based on the liquid, dividend-paying portion of the North American energy infrastructure market. The Index measures the performance of companies domiciled in the U.S. or Canada, listed on major U.S. or Canadian stock exchanges, that pay regular cash dividends and meet specific liquidity requirements, as described elsewhere in the prospectus supplement. The Index is calculated by S&P DJI Netherlands B.V. using a modified market capitalization weighted methodology. We refer to the companies included in the Index as the "**Index Constituent Securities**").

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case- by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of such Redemption Valuation Date).

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

Redemption Amount = Closing Indicative Value — Redemption Fee Amount

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See "— UBS's Call Right".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation,**" to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than $150,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."; or

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than $150,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Call Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNDSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.**

### Security Calculation Agent

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, the Current Principal Amount and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

### Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "**absence of trading**" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Redemption Price Upon Optional Tax Redemption**

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount." In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under "— Coupon Payment," calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt

Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ,or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation (as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation-compliant index licensed to UBS that the Security Calculation Agent both approves of and determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable, if any, at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Security Calculation Agent determines that the conditions described above are met on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" will occur if the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Accrued Dividend, Daily Dividend, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after July 15, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after July 15, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

### Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

### Booking Branch

The Securities will be booked through UBS AG, London Branch.

### Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 19. ETRACS Alerian Midstream Energy Total Return Index ETN due October 20, 2050

### Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“**DTC**”) or another depositary. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS’s Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities will not pay any cash coupon during their term.

### Cash Settlement Amount at Maturity

The “**Maturity Date**” is October 20, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the “**Cash Settlement Amount**”. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Closing Indicative Value.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See “—UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

a) On the Initial Trade Date, $25.00 per Security

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the previous calendar day * Index Factor)—Daily Tracking Fee

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Index Factor**" on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, *divided by,* (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, *divided by,* (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The "**Residual Factor**" will be calculated as follows:

a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period

b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Closing Indicative Value that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The "**Index Closing Level**" on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 358.2653 is the initial Index Closing Level measured on October 20, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The **"Current Indicative Value"** or "**intraday indicative value**", as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor will be determined using the Intraday Index Value. Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Daily Tracking Fee**" means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

a) On the Initial Trade Date, \$0.00 per Security;

b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

   (0.75% / 365) × Closing Indicative Value on the immediately preceding calendar day × Index Factor

c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

   (0.75% / 365) × Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor on the immediately preceding calendar day

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The "**Measurement Period Cash Amount**" is an amount per Security equal to:

a) \$0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period

b) On the first day of an applicable one-day Measurement Period:

   a. At the close of trading on such Index Business Day, the (Closing Indicative Value, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.

c) From and including the first day of an applicable five-day Measurement Period:

   a. At the close of trading on each Index Business Day, will equal:

      i. Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ( (i) Closing Indicative Value, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee

      ii. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Closing Indicative Value that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Closing Indicative Value, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Closing Indicative Value that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Closing Indicative Value will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $250,000,000, the Calculation Date, subject to adjustments as described under “Specific Terms of the Securities—Market Disruption Event”;

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $250,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “Specific Terms of the Securities— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMTRSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The “**Calculation Date**” means October 11, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The Alerian Midstream Energy Adjusted Net Total Return Index (Bloomberg: “AMNTR Index”) is the adjusted net total return version of the Alerian Midstream Energy Index (Bloomberg: “AMNA Index”). The Index is a broad-based composite of North American energy infrastructure companies who earn the majority of their cash flow from midstream activities involving energy commodities, such as gathering & processing, liquefaction, pipeline transportation, rail terminaling, and storage of energy commodities. The Index is calculated by S&P Dow Jones Indices using a capped, float adjusted, capitalization weighted methodology. We refer to the companies included in the Index as the “Index Constituent Securities”. **The Index is an adjusted net total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities, subject to dividend withholding taxes on distributions made by applicable Canadian Index Constituent Securities. No dividend withholding taxes are applied to distributions made by applicable U.S. Index Constituent Securities.**

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event."

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of such Redemption Valuation Date).

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| | | | | |
|---|---|---|---|---|
| Redemption Amount | = | Closing Indicative Value | — | Redemption Fee Amount |

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right.** See – UBS's Call Right".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

### Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**," to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen

(18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than $250,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."; or

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than $250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under " Specific Terms of the Securities—Market Disruption Event."

For the purpose of determining the Call Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

(i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMTRSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Call Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.**

**Security Calculation Agent**

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, or any Call Settlement Date, as applicable.

All dollar amounts related to determination of the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

c) the Index is not published; or

d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or

b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "**absence of trading**" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

### Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

### Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation (as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation-compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, and the amount payable at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" will occur if the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange- imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after October 20, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

c) any event that occurs on or after October 20, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Business Day**

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

**Modified Business Day**

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

### Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

### Booking Branch

The Securities will be booked through UBS AG, London Branch.

### Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 20. ETRACS 2x Leveraged MSCI USA ESG Focus TR ETN due September 15, 2061

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.
If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "— UBS Call Right."

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "**Closing Indicative Value**" per Security, will be calculated as follows:

(a) an the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See "— Automatic Acceleration Upon Zero Value Event."

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation D**ate" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event."

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor times the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on September 14, 2021 by the Security Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:
(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:
(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event."

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* (b) the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:
(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
(1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Residual Factor on the immediately preceding calendar day, divided by (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 1.55% and (b) SOFR on the immediately preceding U.S. Government Securities Business Day. The minimum value of SOFR (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 1.55%.

For example, 0.05% was the SOFR rate on September 10, 2021, which was a U.S. Government Securities

Business Day. The Financing Rate on September 13, 2021 would therefore have been equal to 1.55% + 0.05%, or 1.60%.

“**SOFR**” means, with respect to any U.S. Government Securities Business Day, the daily secured overnight financing rate for such U.S. Government Securities Business Day as provided by the SOFR Administrator on the SOFR Administrator’s Website. If for any U.S. Government Securities Business Day, the SOFR in respect of that day has not been published on the SOFR Administrator’s Website by the time the Security Calculation Agent determines the Financing Rate for the immediately succeeding day and the Security Calculation Agent has not determined that SOFR has been discontinued, then the SOFR for such day will be the secured overnight financing rate as published in respect of the first preceding U.S. Government Securities Business Day for which the secured overnight financing rate was published on the SOFR Administrator’s Website.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator, currently at http://www.newyorkfed.org, or any successor source.

**“U.S. Government Securities Business Day**” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

*Information About the Secured Overnight Financing Rate*

All disclosures contained herein regarding the secured overnight financing rate, including, without limitation, its make-up and method of calculation, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by the Federal Reserve Bank of New York. The secured overnight financing rate is published by the Federal Reserve Bank of New York, but the Federal Reserve Bank of New York has no obligation to continue to publish, and may discontinue publication of, the secured overnight financing rate. Neither UBS nor any of its affiliates accepts any responsibility for the calculation, maintenance or publication of the secured overnight financing rate or any successor or replacement rate. Information from outside sources including, but not limited to any website referenced in this section, is not incorporated by reference in, and should not be considered part of, this document or any document incorporated herein by reference. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the secured overnight financing rate.

The secured overnight financing rate is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The Federal Reserve Bank of New York reports that secured overnight financing rate includes all trades in the “Broad General Collateral Rate” (as defined on the Federal Reserve Bank of New York's Website), plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the “**FICC**”), a subsidiary of the Depository Trust and Clearing Corporation (“**DTCC**”). The secured overnight financing rate is filtered by the Federal Reserve Bank of New York to remove a portion of the foregoing transactions considered to be "Specials", which are repurchases for specific-issue collateral, which take place at cash-lending rates below those for general collateral repurchases because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The Federal Reserve Bank of New York reports that the secured overnight financing rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon (“**BNYM**”) as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve Bank of New York notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve Bank of New York notes on its publication page for the secured overnight financing rate that use of the secured overnight financing rate is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the secured overnight financing rate at any time without notice. The secured overnight financing rate is published at approximately 8:00 a.m. (New York time) on each U.S. Government Securities Business Day for trades made on the immediately preceding U.S. Government Securities Business Day. If the Federal Reserve Bank of New York discovers errors in the transaction data provided by either BNYM or DTCC, or in the calculation process, subsequent to the rate publication but on that same day, the secured overnight financing rate and accompanying summary statistics may be republished at approximately 2:30 p.m. (New York time). Similarly, if transaction data from BNYM or DTCC had previously not been available in time for publication, but became available later in the day, the secured overnight financing rate may be republished at approximately 2:30 p.m. (New York time). Rate revisions will only be effected on the same day as initial publication and will only be republished if the change in the rate exceeds one basis point (0.01%), though the Federal Reserve Bank of New York will review this revision threshold periodically and could modify it after any such review. The description of the secured overnight financing rate herein does not purport to be exhaustive.

Because the secured overnight financing rate is published by the Federal Reserve Bank of New York based on data received from other sources, neither UBS nor any of our affiliates has any control over its determination, calculation or publication. There can be no guarantee that the secured overnight financing rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Securities. If the manner in which the secured overnight financing rate is calculated is changed, that change may result in an increase in the Financing Rate on the Securities.

The Federal Reserve Bank of New York began publishing the secured overnight financing rate in April 2018. The Federal Reserve Bank of New York has also published historical indicative secured overnight financing rates going back to August 2014. Investors should not rely on any historical changes or trends in the secured overnight financing rate as an indicator of future changes in the secured overnight financing rate. Also, since the secured overnight financing rate is relatively new, the Securities are not expected to have established trading market when issued, and an established trading market may never develop or may not be very liquid. In addition, if the secured overnight financing rate does not become widely used as a benchmark in securities that are similar or comparable to the Securities, the trading price of the Securities may be lower than those of other securities that are linked to rates that are more widely used. Similarly, market terms for exchange traded notes with financing rates linked to the secured overnight financing rate may evolve over time, and trading prices of the Securities may be lower than those of later-issued secured overnight financing rate-linked exchange traded notes as a result. Investors in the Securities may not be able to sell the Securities at all or may not be able to sell the Securities at prices comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The secured overnight financing rate data is subject to the terms of use posted at newyorkfed.org. The Federal Reserve Bank of New York is not responsible for publication of the secured overnight financing rate rates by UBS, does not sanction or endorse any particular republication, and has no liability for your use. For a more complete discussion of the secured overnight financing rate , see the website of SOFR Administrator's Website.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that SOFR (or any successor base rate) has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the SOFR base rate (or such successor base rate), provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate for exchange traded notes similar to the Securities, then the Security Calculation Agent shall use such successor base rate; and;
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the SOFR base rate (or such successor base rate), in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of SOFR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period"** means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by ESUSSO <Index> on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently MSCI.

The "**Calculation Date**" means September 7, 2061, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return on the securities is linked to the performance of the MSCI USA ESG Focus Index Gross Total Return USD (Bloomberg: "M2USESG"). The Index is designed to maximize exposure to positive ESG factors while exhibiting risk and return characteristics similar to those of the MSCI USA Index. We refer to the companies included in the Index as the "Index Constituent Securities". The Index is developed and calculated by MSCI. **The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to: (0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value – Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "— UBS Call Right" and "— Automatic Acceleration Upon Zero Value Event."

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "Market Value" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by ESUSSO <Index> on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

Closing Indicative Value, on last Index

**Cash Settlement Amount=** **Business Day in Call Measurement Period**

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS**. See "— Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See "— UBS Call Right."**

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (viii) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

i. any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

ii. if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

## Security Calculation Agent

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the SOFR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any

Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

## Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (e.g., as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 21. ETRACS 2x Leveraged IFED Invest with the Fed TR Index ETN due September 15, 2061

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Final Measurement Period |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "— UBS Call Right".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "**Closing Indicative Value**" per Security, will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

**The "Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor times the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level"** is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on September 14, 2021 by the Security Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “— Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “Accrued Tracking Fee” per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, plus (b) the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.
If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 1.55% and (b) SOFR on the immediately preceding U.S. Government Securities Business Day. The minimum value of SOFR (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 1.55%.

For example, 0.05% was the SOFR rate on September 10, 2021, which was a U.S. Government Securities Business Day. The Financing Rate on September 13, 2021 would therefore have been equal to 1.55% + 0.05%, or 1.60.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the daily secured overnight financing rate for such U.S. Government Securities Business Day as provided by the SOFR Administrator on the SOFR Administrator's Website. If for any U.S. Government Securities Business Day, the SOFR in respect of that day has not been published on the SOFR Administrator's Website by the time the Security Calculation Agent determines the Financing Rate for the immediately succeeding day and the Security Calculation Agent has not determined that SOFR has been discontinued, then the SOFR for such day will be the secured overnight financing rate as published in respect of the first preceding U.S. Government Securities Business Day for which the secured overnight financing rate was published on the SOFR Administrator's Website.

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

"**SOFR Administrator's Website**" means the website of the SOFR Administrator, currently at http://www.newyorkfed.org, or any successor source.

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

*Information About the Secured Overnight Financing Rate*

All disclosures contained herein regarding the secured overnight financing rate, including, without limitation, its make-up and method of calculation, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by the Federal Reserve Bank of New York. The secured overnight financing rate is published by the Federal Reserve Bank of New York, but the Federal Reserve Bank of New York has no obligation to continue to publish, and may discontinue publication of, the secured overnight financing rate. Neither UBS nor any of its affiliates accepts any responsibility for the calculation, maintenance or publication of the secured overnight financing rate or any successor or replacement rate. Information from outside sources including, but not limited to any website referenced in this section, is not incorporated by reference in, and should not be considered part of, this document or any document incorporated herein by reference. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the secured overnight financing rate.

The secured overnight financing rate is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The Federal Reserve Bank of New York reports that secured overnight financing rate includes all trades in the "Broad General Collateral Rate" (as defined on the Federal Reserve Bank of New York's Website), plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "**FICC**"), a subsidiary of the Depository Trust and Clearing Corporation ("**DTCC**"). The secured overnight financing rate is filtered by the Federal Reserve Bank of New York to remove a portion of the foregoing transactions considered to be "Specials", which are repurchases for specific-issue collateral, which take place at cash-lending rates below those for general collateral repurchases because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The Federal Reserve Bank of New York reports that the secured overnight financing rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon ("**BNYM**") as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve Bank of New York notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve Bank of New York notes on its publication page for the secured overnight financing rate that use of the secured overnight financing rate is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the secured overnight financing rate at any time without notice. The secured overnight financing rate is published at approximately 8:00 a.m. (New York time) on each U.S. Government Securities Business Day for trades made on the immediately preceding U.S. Government Securities Business Day. If the Federal Reserve Bank of New York discovers errors in the transaction data provided by either BNYM or DTCC, or in the calculation process, subsequent to the rate publication but on that same day, the secured overnight financing rate and accompanying summary statistics may be republished at approximately 2:30 p.m. (New York time). Similarly, if transaction data from BNYM or DTCC had previously not been available in time for publication, but became available later in the day, the secured overnight financing rate may be republished at approximately 2:30 p.m. (New York time). Rate revisions will only be effected on the same day as initial publication and will only be republished if the change in the rate exceeds one basis point (0.01%), though the Federal Reserve Bank of New York will review this revision threshold periodically and could modify it after any such review. The description of the secured overnight financing rate herein does not purport to be exhaustive.

Because the secured overnight financing rate is published by the Federal Reserve Bank of New York based on data received from other sources, neither UBS nor any of our affiliates has any control over its determination, calculation or publication. There can be no guarantee that the secured overnight financing rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Securities. If the manner in which the secured overnight financing rate is calculated is changed, that change may result in an increase in the Financing Rate on the Securities.

The Federal Reserve Bank of New York began publishing the secured overnight financing rate in April 2018. The Federal Reserve Bank of New York has also published historical indicative secured overnight financing rates going back to August 2014. Investors should not rely on any historical changes or trends in the secured overnight financing rate as an indicator of future changes in the secured overnight financing rate. Also, since the secured overnight financing rate is relatively new, the Securities are not expected to have established trading market when issued, and an established trading market may never develop or may not be very liquid. In addition, if the secured overnight financing rate does not become widely used as a benchmark in securities that are similar or comparable to the Securities, the trading price of the Securities may be lower than those of other securities that are linked to rates that are more widely used. Similarly, market terms for exchange traded notes with financing rates linked to the secured overnight financing rate may evolve over time, and trading prices of the Securities may be lower than those of later-issued secured overnight financing rate-linked exchange traded notes as a result. Investors in the Securities may not be able to sell the Securities at all or may not be able to sell the Securities at prices comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The Federal Reserve Bank of New York is not responsible for publication of the secured overnight financing rate rates by UBS, does not sanction or endorse any particular republication, and has no liability for your use. For a more complete discussion of the secured overnight financing rate , see the website of SOFR Administrator’s Website.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that SOFR (or any successor base rate) has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the SOFR base rate (or such successor base rate), provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate for exchange traded notes similar to the Securities, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the SOFR base rate (or such successor base rate), in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of SOFR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

The “**Measurement Period Cash Amount”** is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by FEDLSO <Index> on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which is currently Indxx LLC.

The "**Calculation Date**" means September 7, 2061, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The IFED Large-Cap US Equity Index Total Return (Bloomberg: "IFEDLT") is the total return version of the IFED Large-Cap US Equity Index (Bloomberg: "IFEDL"). The Index tracks large-cap U.S. equities that are determined by Economic Index Associates, LLC ("EIA" or the "Index Sponsor") to be best positioned to benefit from the prevailing monetary environment. We refer to the companies included in the Index as the "Index Constituent Securities". The Index is developed by EIA and calculated by Indxx LLC ("Indxx"). **The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount.**" If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.
The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

Redemption Amount = Closing Indicative Value – Redemption Fee Amount

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "— UBS Call Right" and "— Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "Redemption Confirmation", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

> (i) The Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by FEDLSO <Index> on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| Cash Settlement Amount | = | Closing Indicative Value, on last Index Business Day in Call Measurement Period |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS**. See "— Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

A Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (viii) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event" beginning on page S-84; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date"** means:

(i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "Second Permanent Deleveraging Valuation Date" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the SOFR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable. In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 22. ETRACS IFED Invest with the Fed TR Index ETN due September 15, 2061

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable
Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under "— Early Redemption at the Option of the Holders." If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under "— UBS Call Right." If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities will not pay any cash coupon during their term.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the "**Cash Settlement Amount**". If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

**Cash Settlement Amount= Closing Indicative Value, on last Index Business Day in Final Measurement Period**

**You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Closing Indicative Value.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See "— UBS Call Right".**

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The "**Closing Indicative Value**" represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security

(b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the previous calendar day * Index Factor)—Daily Tracking Fee

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Index Factor**" on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, divided by, (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, divided by, (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period

(b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, divided by (b) five.

The Residual Factor is intended to approximate the percentage of the Closing Indicative Value that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "Index Closing Level" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. 23572.14 is the initial Index Closing Level measured on September 14, 2021 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

"**Measurement Period**" means the Final Measurement Period or Call Measurement Period, as applicable.

The "**Current Indicative Value**" or "intraday indicative value", as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor will be determined using the Intraday Index Value. Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The "**Daily Tracking Fee**" means, as of any date of determination, an amount per Security equal to 0.45% per annum, calculated as follows:

(a) On the Initial Trade Date, $0.00 per Security;

(b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

(0.45% / 365) × Closing Indicative Value on the immediately preceding calendar day × Index Factor

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(0.45% / 365) × Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor on the immediately preceding calendar day

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period

(b) On the first day of an applicable one-day Measurement Period:

(i) At the close of trading on such Index Business Day, the (Closing Indicative Value, on the immediately preceding calendar day, times Index Factor, on such Index Business Day), minus Daily Tracking Fee.

(c) From and including the first day of an applicable five-day Measurement Period:

(i) At the close of trading on each Index Business Day, will equal:

(a) Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ( (i) Closing Indicative Value, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided* by (iii) five), *minus* (c) Daily Tracking Fee.

(ii) On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee.

(d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Closing Indicative Value that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Closing Indicative Value, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Closing Indicative Value that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Closing Indicative Value will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $250,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $250,000,000, the five (5) Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "Market Value" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day, times (ii) the number of Securities outstanding as reported by IFEDSO <Index> on Bloomberg.

The "Index Calculation Agent" means the entity that calculates and publishes the level of the Index, which is currently Indxx LLC.

The "**Calculation Date**" means September 6, 2061 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Business Day**" means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The IFED Large-Cap US Equity Index Total Return (Bloomberg: "IFEDLT") is the total return version of the IFED Large-Cap US Equity Index (Bloomberg: "IFEDL"). The Index tracks large-cap U.S. equities that are determined by Economic Index Associates, LLC ("**EIA**" or the "**Index Sponsor**") to be best positioned to benefit from the prevailing monetary environment. We refer to the companies included in the Index as the "Index Constituent Securities". **The Index is developed by EIA and calculated by Indxx LLC ("Indxx"). The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event," you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, and a confirmation of redemption by no later than 5:00 p.m., on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.
If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures," for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**."

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of such Redemption Valuation Date).

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value — Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right.** See – UBS Call Right".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**," to us via e-mail in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m, on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which notice may be provided via press release), not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The “**Call Measurement Period**” means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $250,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; or

(b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Call Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right, will equal:

(a) the Closing Indicative Value as of such Index Business Day, times (ii) the number of Securities outstanding as reported by IFEDSO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

**Call Settlement Amount = Closing Indicative Value on last Index Business Day in Call Measurement Period**

**You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS’s exercise of its call right.**

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split, and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split. The record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Closing Indicative Value and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Closing Indicative Value on such record date will be divided by four to reflect the 4:1 split. The adjusted Closing Indicative Value will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Closing Indicative Value and other relevant terms of the Securities will be adjusted accordingly, and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Closing Indicative Value of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Closing Indicative Value will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, Current Indicative Value (which we also refer to as the "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date, or any Call Settlement Date.

All dollar amounts related to determination of the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "**absence of trading**" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.
In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation**

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange- imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (e.g., as if such rebasing had not occurred). In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

### Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

### Booking Branch

The Securities will be booked through UBS AG, London Branch.

### Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 23. ETRACS 2x Leveraged US Value Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right" beginning on page S-117.

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "**Closing Indicative Value**" per Security, will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event" beginning on page S-118.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing

Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event” beginning on page S-122.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, plus the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and

- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value – Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

(i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 24. ETRACS 2x Leveraged US Growth Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See "Specific Terms of the Securities — UBS's Call Right".

The "Stated Principal Amount" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "Closing Indicative Value" per Security, will be calculated as follows:

(a) On the Initial Trade Date, \$25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The **"Current Principal Amount"** represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The "**Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value”**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, \$25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and

- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first

day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| | | | | |
|---|---|---|---|---|
| **Redemption Amount** | **=** | **Closing Indicative Value** | **–** | **Redemption Fee Amount** |

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption which is attached;

- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;

- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and

- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The **“Call Measurement Period”** means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See “Specific Terms of the Securities — UBS’s Call Right”.

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "Loss Rebalancing Event" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

(i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 25. ETRACS 2x Leveraged US Size Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right".

The "**Stated Principal Amount**" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "**Closing Indicative Value**" per Security, will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The "**Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value”**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and

- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value – Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

(i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 26. ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | = | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See "Specific Terms of the Securities — UBS's Call Right".

The "Stated Principal Amount" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "Closing Indicative Value" per Security, will be calculated as follows:

(a) On the Initial Trade Date, \$25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The "**Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| **Title of Securities** | **Index Calculation Agent** |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| | | | | |
|---|---|---|---|---|
| **Redemption Amount** | **=** | **Closing Indicative Value** | **–** | **Redemption Fee Amount** |

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent**

**Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four

Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "First Permanent Deleveraging Valuation Date" means:

    (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

    (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

    The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "Second Permanent Deleveraging Valuation Date" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or

on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index ),

which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

### Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

### Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

### Booking Branch

The Securities will be booked through UBS AG, London Branch.

### Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 27. ETRACS 2x Leveraged MSCI US Quality Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

**Cash Settlement Amount = Closing Indicative Value, on last Index Business Day in Final Measurement Period**

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See "Specific Terms of the Securities — UBS's Call Right".

The "Stated Principal Amount" of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “Closing Indicative Value” per Security, will be calculated as follows:

(a) On the Initial Trade Date, \$25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The “**Reset Valuation Date**” means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "— Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value”**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, \$25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first

day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

| | | | | |
|---|---|---|---|---|
| **Redemption Amount** | = | **Closing Indicative Value** | – | **Redemption Fee Amount** |

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "Permanent Deleveraging Event" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "Excluded Day" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"Permanent Deleveraging Valuation Dates" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "First Permanent Deleveraging Valuation Date" means:

  (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "Second Permanent Deleveraging Valuation Date" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 28. ETRACS 2x Leveraged US Dividend Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary. Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right".

The “**Stated Principal Amount**” of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of this prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value – Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent**

**Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;

- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;

- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and

- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

### Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

### Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index

Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

(i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

(ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or

- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

**Manner of Payment and Delivery**

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

**Reissuances or Reopened Issues**

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

**Booking Branch**

The Securities will be booked through UBS AG, London Branch.

**Clearance and Settlement**

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

## 29. ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN due February 9, 2051

### Specific Terms of the Securities

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company ("**DTC**") or another depositary Owners of beneficial interests in the Securities should read the section entitled "Legal Ownership and Book-Entry Issuance" under "Medium-Term Notes, Series B" above.

*Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the "Securities" should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.*

These Securities are part of a series of debt securities entitled "Medium-Term Notes, Series B" that we may issue, from time to time, under the indenture more particularly described under "Medium-Term Notes, Series B" above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in "Description of Debt Securities We May Offer" under "Medium-Term Notes, Series B" above. The terms described here supplement those described in "Medium-Term Notes, Series B" above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is $25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under "— Cash Settlement Amount at Maturity." If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under "— Early Redemption at the Option of the Holders." If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

### Cash Settlement Amount at Maturity

The "**Maturity Date**" is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under "— Market Disruption Event."

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the "**Cash Settlement Amount**." If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Final Measurement Period** |

**You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.**

**UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment.** See "Specific Terms of the Securities — UBS's Call Right".

The **"Stated Principal Amount"** of each Security is $25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The "**Closing Indicative Value**" per Security, will be calculated as follows:

(a) On the Initial Trade Date, $25.00 per Security.

(b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

(c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

**If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "— Automatic Acceleration Upon Zero Value Event".

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The "**Current Principal Amount**" represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

(a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, $25.00 per Security.

(b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

*New* Current Principal Amount = (Current Principal Amount on immediately preceding calendar day × Index Factor) – Accrued Fees

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The "**Reset Valuation Date**" means:

(a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

(b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The "**Quarterly Reset Valuation Date**" is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under "—Market Disruption Event".

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The "**Index Factor**" is: 1 + (Leverage Factor × Index Performance Ratio).

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The "**Residual Factor**" will be calculated as follows:

(a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.

(b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

(c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The "**Leverage Factor**" on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The "**Index Performance Ratio**" on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The "**Last Reset Index Closing Level**" is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The "**Index Closing Level**" on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the "**Index Closing Level**" for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

"**Measurement Period**" means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The "**Current Indicative Value**" or "**intraday indicative value"**, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

(a) On the Initial Trade Date, $25.00.

(b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees

(c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value *is less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

(d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

**If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The "**Accrued Fees**" as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an "**Accrued Tracking Fee**" per Security, calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The "**Daily Tracking Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Tracking Fee is zero.

(b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

(c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an "**Accrued Financing Fee**" per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

(c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.

(d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The "**Daily Financing Fee**" is an amount per Security calculated as follows:

(a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.

(b) On any subsequent calendar day, the Daily Financing Fee is equal to:

(1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.

(c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

(d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The "**Financing Rate**" will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page "LIBOR01" (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) ("**LIBOR**") (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

"**London Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The "**Measurement Period Cash Amount**" is an amount per Security equal to:

(a) $0.00 on any calendar day, to but excluding the first day of a Measurement Period.

(b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

(c) From and including the first day of a four-day Measurement Period:

(i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and

(ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

(d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The "**Final Measurement Period**" means:

(a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than $500,000,000, the Calculation Date, subject to adjustments as described under "— Market Disruption Event";

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than $500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

(i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Index Calculation Agent**" means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| **Title of Securities** | **Index Calculation Agent** |
|---|---|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The "**Calculation Date**" means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

"**Index Business Day**" means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

"**Primary Exchange**" means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

**Underlying Index**

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the "Index Constituent Securities" for such Index.

**Early Redemption at the Option of the Holders**

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under "— Market Disruption Event", you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the "**Redemption Valuation Date**" will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the "**Redemption Date**"). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under "— Market Disruption Event".

As of any Redemption Valuation Date, the "**Redemption Fee Amount**" means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under "— Redemption Procedures", for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the "**Redemption Amount**." If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

**Redemption Amount = Closing Indicative Value – Redemption Fee Amount**

**You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged**

**quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

**Redemption Procedures**

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

**UBS's Call Right**

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

The "**Call Measurement Period**" means:

(a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than $500,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event"; and

(b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than $500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under "— Market Disruption Event."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The "**Call Valuation Date**" means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

| | | |
|---|---|---|
| **Cash Settlement Amount** | **=** | **Closing Indicative Value, on last Index Business Day in Call Measurement Period** |

**You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.**

**In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS.** See "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event" below.

**Automatic Acceleration Upon Zero Value Event**

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under "Permanent Deleveraging Valuation Dates" above.

A "**Zero Value Event**" occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an "**Excluded Day**" means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

**You will lose your entire investment upon the occurrence of a Zero Value Event.**

**In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right.** See "Specific Terms of the Securities — UBS's Call Right".

**Loss Rebalancing Events**

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an "**Excluded Day**" means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

"**Loss Rebalancing Valuation Date**" means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event"; and

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under "— Market Disruption Event."

**Permanent Deleveraging Event**

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A "**Permanent Deleveraging Event**" occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an "**Excluded Day**" means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

"**Permanent Deleveraging Valuation Dates**" means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

(a) The "**First Permanent Deleveraging Valuation Date**" means:

   (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under "— Market Disruption Event"; or

   (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

(b) The "**Second Permanent Deleveraging Valuation Date**" means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under "— Market Disruption Event."

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

**Split or Reverse Split of the Securities**

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the "**announcement date**" of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company ("**DTC**") on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as "partials"). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or "partial" Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

**Security Calculation Agent**

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security

Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Event**

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a "**Market Disruption Event**" with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

(a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;

(b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;

(c) the Index is not published; or

(d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events with respect to the Index:

(a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

(b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

**Default Amount on Acceleration**

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in "Medium-Term Notes, Series B" above under "Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default" and "Description of Debt Securities We May Offer — Modification and Waiver of Covenants."

**Default Amount**

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

**Default Quotation Period**

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

**Qualified Financial Institutions**

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation**

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or

on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An **"Index Replacement Event"** means:

(a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

(d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

(e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index ), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

### Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

### Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

### Booking Branch

The Securities will be booked through UBS AG, London Branch.

### Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

UBS

**Exhibit 4.18**

## High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|---|---|
| **Issuer** | UBS Group AG |
| **ISIN** | US902613AG32 (144A) / USH42097CL90 (Reg S) |
| **Issue Date** | 02.06.2021 |
| **Currency** | USD |
| **Nominal (million)** | 750.0 |
| **Interest Rate** | 3.875% [1] |
| **Maturity Date** | perpetual |
| **First Call Date** | 02.06.2026 |

[1] Rate subject to change after first call date.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

### 1. DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 9 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 8 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and any other agent from time to time appointed pursuant to the terms of the Fiscal Agency Agreement.

"**Alignment Event**" has the meaning assigned to such term in clause (a) of Condition 12 (*Substitution and Amendment*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (f) of Condition 7 (*Contingent Write-down*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"**Bankruptcy Event**" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, including, without limitation, in connection with article 725a of the Swiss Code, (ii) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (iii) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, and/or (iv) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided*, *however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betreibungsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, including, in the case of each of subclauses (x), (y) and (z), any steps (other thanany steps described in clauses (i) through (iv) of this definition) taken under or in connection therewith.

"**BIS Regulations**" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"**BIS Risk Weighted Assets**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance doubt, the term "**risk-weighted assets**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London, New York City and Zurich.

"**Calculation Agent**" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"**Calculation Amount**" means USD 1,000.

"**Capital Adequacy Ordinance**" means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Dealers, which entered into force on 1 January 2013, as amended from time to time, or any successor Swiss law or regulation.

"**Certificate**" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"**CET1 Capital**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**common equity tier 1 capital**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**CET1 Ratio**" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.

"**Code**" has the meaning assigned to such term in clause (c) of Condition 9 (*Taxation*).

"**Compliant Securities**" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), *provided* that:

(a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;

(b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and*

*Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;

(c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and

(d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"**Contingent Write-down**" means the events described in subclauses (i) through (iii) of clause (d) of Condition 7 (*Contingent Write-down*).

"**Day Count Fraction**" means, in respect of any period (the "**Calculation Period**"), the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30.

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Definitive Certificate**" has the meaning assigned to such term in subclause (c)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Depositary**" means DTC or any other Relevant Clearing System outside of Switzerland designated as Depositary by the Issuer; *provided*, *however*, that, irrespective of the number of Regulation S Global Certificates and/or Rule 144A Global Certificates, as the case may be, outstanding, there will be no more than one Depositary for the Notes at any time.

"**Distributable Items**" means, in respect of an Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Distribution Compliance Period**" means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

"**DTC**" means The Depository Trust Company.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 11 (*Events of Default*).

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Write-down Notice in accordance with Condition 7 (*Contingent Write-down*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**FBA**" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"**First Call Date**" means 2 June 2026.

"**Fiscal Agency Agreement**" means the fiscal agency agreement dated as of 10 February 2021 among the Issuer, the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and the other Agents from time to time party thereto, as may be amended, supplemented or otherwise modified from time to time.

"**Fiscal Agent**" means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor fiscal agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"**Fixed Interest Rate**" means 3.875 per cent. per annum.

"**Former Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 14 (*Issuer Substitution*).

"**Global Certificate**" means a Regulation S Global Certificate and/or Rule 144A Global Certificate, as the case may be.

"**Going-Concern LR Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"**Going-Concern RWA Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"**Group**" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"**Group Holding Company**" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"**Higher-Trigger Amount**" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"**Higher-Trigger Contingent Capital**" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Write-down Threshold (with respect to the relevant Higher-Trigger Contingent Capital, its "**Higher-Trigger Threshold**").

"**Higher-Trigger Threshold**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"**Higher-Trigger Write-down/Conversion Date**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"**Higher-Trigger Write-down/Conversion Notice**" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the "**Higher-Trigger Write-down/Conversion Date**"). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below the Higher-Trigger Threshold, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date shall be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Contingent Write-down*).

"**Holder**" means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of these Terms and Conditions or such Notes or have any rights, or be owed any obligations by the Issuer, under such Notes.

"**Indirect Holder**" means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Notes through a bank, broker or other financial institution that (i) participates in the book-entry system of DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system (each, a "**Relevant Clearing System**"), or (ii) holds an interest in such Note through a participant in the book-entry system of any Relevant Clearing System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer, under the Notes.

"**Interest Payment Date**" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may

be.

"**Issue Date**" means 2 June 2021.

"**Issuer**" means UBS Group AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means 3.098 per cent. per annum.

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Residence**" has the meaning assigned to such term in subclause (a)(i)(E) of Condition 14 (*Issuer Substitution*).

"**Notes**" means the USD 750,000,000 3.875 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London and New York City.

"**Permitted Transactions**" means:

(a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;

(b) market-making in Ordinary Shares as part of the securities business of any member of the Group;

(c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;

(d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and

(e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues tobe a member of the Group.

"**Person**" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"**Presentation Currency**" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"**Public Sector**" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"**Publication Date**" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"**Quarterly Financial Accounts**" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**QIB**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Record Date**" means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Register**" means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement.

"**Registrar**" means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor registrar for the Notes appointed in accordance with the Fiscal Agency Agreement.

"**Regulation S Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Banking Day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

"**Relevant Clearing System**" has the meaning assigned to such term in the definition of the term "Indirect Holder".

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the moneypayable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

"**Relevant Swiss Issuer**" means, at any time, any bank, or any member of a banking group (including, without limitation, the Group), that is subject to a Going-Concern LR Requirement and a Going-Concern RWA Requirement at such time.

"**Reset Date**" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"**Reset Determination Date**" means, in relation to a Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"**Reset Interest Amount**" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"**Reset Interest Period**" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"**Reset Interest Rate**" means, in relation to any Reset Interest Period, the sum of the Margin and the Treasury Yield in relation to such Reset Interest Period.

"**Reviewed Interim Measurement**" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"**Rule 144A**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Rule 144A Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Scheduled Due Date**" has the meaning assigned to such term in the definition of the term "Relevant Date".

"**Senior Obligations**" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"**Specified Office**" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 60 Wall Street, 24th Floor, MS: NYC60-2405, New York, New York 10005, USA, Attn: Corporates Team, UBS Group AG, (ii) in the case of UBS AG, as Swiss Paying Agent and Calculation Agent, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in writing in accordance with Condition 13 (*Notices*) as soon as practicable after the appointment of such Agent, in the case of each of clauses (i), (ii) and (iii), or such other office as the relevant Agent may designate from time to time by providing notice to the Issuer and the Holders in writing in accordance with Condition 13 (*Notices*).

"**Substitute Issuer**" has the meaning assigned to such term in clause (a) of Condition 14 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(iv) of Condition 14 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

"**Substitution or Amendment Notice**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

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

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 9 (*Taxation*).

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Treasury Yield**" means, in relation to any Reset Interest Period,

(a) the rate per annum equal to the semi-annual equivalent yield to maturity, that represents the average of such yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for a five-year maturity, appearing under the caption "Treasury constant maturities" in the most recent H.15; or

(b) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (a) above, the rate per annum equal to the semi-annual equivalent yield to maturity determined by interpolation between the most recent average of such yield to maturity, such average to be determined for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for two series of US Treasury securities trading in the public securities market, (i) one maturing as close as possible to, but earlier than, the first Reset Date following the next succeeding Reset Determination Date, and (ii) the other maturing as close as possible to, but later than, the first Reset Date following the next succeeding Reset Determination Date; or

(c) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (b) above, the rate per annum equal to the semi-annual equivalent yield to maturity for a five-year maturity for the last available date preceding the applicable Reset Determination Date, appearing under the caption "Treasury constant maturities" in the H.15 that has been most recently published prior to the applicable Reset Determination Date,

in each case, as determined by the Calculation Agent on the applicable Reset Determination Date.

For purposes of this definition, (i) "**H.15**" means the statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System (or any successor publication that is published by the Board of Governors of the United States Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years), (ii) "**most recent H.15**" means, in respect of any Reset Interest Period, the H.15 published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date, (iii) "**New York Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City, and (iv) "**semi-annual equivalent yield to maturity**" means, for securities with two interest payments per year, the annualized yield to maturity of such interest payments, such annualized yield to be calculated in accordance with standard market practice.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Contingent Write-down*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in the definition of the term "Trigger Event Write-down Notice".

"**Trigger Event Write-down Notice**" means, with respect to any Publication Date, a notice (i) stating that (x) the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, and (y) a Contingent Write-down will take place and (ii) specifying the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (b)(ii) of Condition 7 (*Contingent Write-down*), be no later than ten Business Days after the date of such notice (the "**Trigger Event Write-down Date**").

"**US Exchange Act**" means the US Securities Exchange Act of 1934, as amended from time to time.

"**US Investment Company Act**" means the US Investment Company Act of 1940, as amended from time to time.

"**US Securities Act**" means the US Securities Act of 1933, as amended from time to time.

"**USD**" means United States dollars.

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Notice**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Write-down Date**" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

"**Write-down Notice**" means, with respect to any Contingent Write-down, the relevant Trigger Event Write-down Notice or Viability Event Write-down Notice, as applicable.

"**Write-down Notice Date**" means, with respect to any Contingent Write-down, the date of the relevant Write-down Notice.

"**Write-down Threshold**" means 7 per cent.

2. **AMOUNT, DENOMINATION AND FORM**

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be USD 750,000,000. The Notes will be issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 7 (*Contingent Write-down*). The Notes may only be held and transferred in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

(b) *Global Certificates*

(i) Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("Rule **144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Global Certificate's deposit, all beneficial interests in the Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Global Certificate and the form of Rule 144A Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Each Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided*, *however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

(iii) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depositary, the Holder of a Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes, and nothing in these Terms and Conditions will prevent the Issuer or the Agents or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Global Certificate for purposes of this subclause (b)(iii). Although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, so long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depositary, the Holder of a Global Certificate shall (A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(c) *Definitive Certificates*

(i) Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):

(A) the Depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the US Exchange Act; or

(B) at any time the Depositary is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depositary, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depositary or of the Notes, as the case may be, from or on behalf of the Depositary; or

(C) issuance of the Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or

(D) the Issuer provides its consent.

(ii) If a Global Certificate is to be exchanged for Definitive Certificates pursuant to subclause (i) of this clause (c), the Issuer will procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders,

(iii) addresses and denominations provided in a written notice to be given by the Depositary or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depositary's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof not later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depositary (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(iv) If Definitive Certificates have been issued pursuant to this Condition 2(c), any Definitive Certificate that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the Specified Office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Definitive Certificate allegedly or actually lost, stole or destroyed is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Certificate subsequently presented) as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

3. **TRANSFER**

(a) *General*

(i) Subject to Conditions 3(b) and 3(c), title to Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.

(iii) Transfers of Notes and the issue of new Global Certificates or Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.

(iv) No Holder may require the transfer of a Note to be registered (x) if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*), during the period of 15 days ending on (and including) the relevant Redemption Date, or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.

(v) No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer, under the Notes. Payments of principal, interest or any other amount in respect of Notes will be made only to the Person shown on the Register as the registered holder of such Note (i.e., the Holder) at close of business on the relevant Record Date.

(b) *Transfer of Notes represented by a Global Certificate*

(i) Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Notes represented by Global Certificates may be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Fiscal Agency Agreement and this Condition 3(b).

(ii) A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

(iii) A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.

(iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).

(c) *Transfer of Notes represented by a Definitive Certificate*

(i) If and when Definitive Certificates have been issued pursuant to Condition 2(c), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.

(ii) Each new Definitive Certificate to be issued pursuant to Condition 2(c) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent to which delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (i) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act, (iii) pursuant to an exemption from registration under Rule 144 under the US Securities Act, or in accordance with another exemption from, or in a transaction not subject to, registration under the US Securities Act, if available, or (iv) pursuant to an effective registration statement under the US Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

## 4. STATUS AND SUBORDINATION

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions), the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations and (C) senior to the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 11 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, clause (d) of Condition 7 (*Contingent Write-down*), irrespective of whether the relevant Write-down Notice has been given prior to or after the occurrence of an Event of Default or any other event.

## 5. INTEREST

(a) *Interest Payment Dates*

(i) Subject to Condition 7 (*Contingent Write-down*) and clause (g) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

(ii) Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 2 June and 2 December of each year (each, an "**Interest Payment Date**"), commencing on 2 December 2021.

(b) *Determination of the Treasury Yield, Reset Interest Rate and Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period, the Calculation Agent will, as soon as practicable on the Reset Determination Date in relation to such Reset Interest Period, determine the Treasury Yield and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event not later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*) no later than two Business Days prior to such Redemption Date.

(d) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5:

(i) the amount of interest payable per Calculation Amount on each Interest Payment Date to (and including) the First Call Date in respect of the Notes will be USD 19.38; and

(ii) if interest is required to be paid in respect of a Note on any other date (including,for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:

(A) applying the applicable Interest Rate to the Calculation Amount;

(B) multiplying the product thereof by the Day Count Fraction; and

(C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(e) *Calculation of amount of interest payable per Note*

Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

(i) the amount of interest per Calculation Amount; and

(ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for the purposes of this Condition 5 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 5.

(g) *Accrual of interest in the case of redemption or a Write-down Event*

(i) Subject to Condition 7 (*Contingent Write-down*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue up to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided*, *however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.

(ii) Upon the occurrence of a Write-down Event, interest on the Notes will cease to accrue and any accrued and unpaid interest as at the time of such Write-down Event (whether or not due and payable) will be written down to zero in accordance with Condition 7 (*Contingent Write-down*).

(h) *Cancellation of interest; prohibited interest*

(i) The Issuer may, at its discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (h)(i) is without prejudice to the provisions of subclause (h)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Fiscal Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (h)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related

Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of clauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and shall give notice in accordance with Condition 13 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (i)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (i)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (h)(i) or subclause (h)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,

(A) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and

(B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

(iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(h) will not constitute a default for any purpose (including, without limitation, Condition 11 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this

Condition 5(h) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.

(v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

## 6. REDEMPTION AND PURCHASE

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with this Condition 6 and subject to Condition 7 (*Contingent Write-down*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

(b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaidinterest thereon to (but excluding) the relevant Redemption Date.

(c) *Redemption due to a Tax Event*

(i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of clauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

(i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

(i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 30 and not more than 60 days' prior notice in accordance with Condition 13 (*Notices*) (a "**Redemption Notice**"), which notice shall, subject to clause (f) of this Condition 6, be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which date shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").

(ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.

(iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.

(iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 will be cancelled and may not be reissued or resold.

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **CONTINGENT WRITE-DOWN**

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event, a Contingent Write-down will occur on the Trigger Event Write-down Date in accordance with clause (d) of this Condition 7.

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Write-down Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Write-down Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, the Issuer shall, subject to subclauses (b)(ii) and (b)(iii) of this Condition 7, give a Trigger Event Write-down Notice to the Holders (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), in each case in accordance with Condition 13 (*Notices*).

(ii) If a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7, and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,

(A) in the case of clause (x) above, the giving of such Trigger Event Write-down Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and

(B) in the case of clauses (x) and (y) above, if the Trigger Event Write-down Date is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Write-down Notice.

(iii) If (A) a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7 in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Write-down Threshold that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Write-down Notice pursuant to subclause (b)(i) of this Condition 7 in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 13 (*Notices*), which notice shall state that no Contingent Write-down will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (f) of this Condition 7, upon the occurrence of a Viability Event, (A) the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than ten Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**", and such notice, a "**Viability Event Write-down Notice**"), and (B) a Contingent Write-down will occur on the Viability Event Write-down Date in accordance with clause (d) of this Condition 7.

(ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):

(A) FINMA has notified UBS Group AG in writing that it has determined a write-down of the Notes, together with the conversion or write-down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or

(B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that, a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Write-down Notice have been met.

(d) *Contingent Write-down*

If the Issuer has given a Write-down Notice in accordance with this Condition 7, then on the relevant Write-down Date,

(i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the

Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

(ii) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (i) of this clause (d) (*bedingter Forderungsverzicht*); and

(iii) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

(e) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (e) subsequently published will have no effect for purposes of this Condition 7.

(f) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

## 8. PAYMENTS; AGENTS

(a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided*, *however*, that, in the case of Notes represented by Definitive Certificates, such Definitive Certificates must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.

(b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.

(c) Subject to clause (d) of this Condition 8:

(i) the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent, a Registrar and a Calculation Agent, (B) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, theIssuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision byFINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent; and

(ii) if at any time the Fiscal Agent, the Registrar, the Calculation Agent, or the Swiss Paying Agent, (A) becomes incapable of acting, or (B) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent; and

(iii) if at any time the Calculation Agent fails to (A) duly calculate the Reset Interest Rate and the Reset Interest Amount for any Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (B) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Fiscal Agency Agreement and appoint a successor Calculation Agent; *provided*, *however*, that, if the Calculation Agent duly calculates such Reset Interest Rate, Reset Interest Amount or interest amount payable on the Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 8, the Issuer may elect, in its sole discretion and upon written notice to the Holders pursuant to Condition 13 (*Notices*), to cancel such termination (and appointment).

(d) Any appointment or termination of appointment of, or any resignation by, any Agent may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation pursuant to Condition 13 (*Notices*); *provided*, *however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent, the Registrar, the Swiss Paying Agent, or the Calculation Agent may not take effect until the Issuer has appointed a successor Fiscal Agent, Registrar, Swiss Paying Agent or Calculation Agent, as applicable; *provided*, *however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent, the Registrar, any Paying Agent or the Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.

## 9. TAXATION

(a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.

(b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").

(c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 9 in relation to any Note:

(i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or

(ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or

(iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code (FATCA); or

(iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or

(v) to the extent any combination of subclauses (i) through (iv) of this clause (c) applies.

(d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 9 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 9.

## 10. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the ten-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

## 11. EVENTS OF DEFAULT

(a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":

(i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or

(iv) a Bankruptcy Event.

(b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 7 (*Contingent Write-down*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.

(c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 11, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.

(d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.

(e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.

(f) No remedy against the Issuer other than those described in this Condition 11 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 11.

12. **SUBSTITUTION AND AMENDMENT**

(a) If a Tax Event, a Regulatory Event or an Alignment Event has occurred, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:

(i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;

(ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);

(iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 13 (*Notices*), which notice (the "**Substitution or Amendment Notice**") will, subject to subclause (a)(iv) of this Condition 12, be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");

(iv) prior to the publication of any notice pursuant to subclause (a)(iii) of this Condition 12, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 have arisen; and

(v) no Trigger Event or Viability Event has occurred prior to the relevant Effective Date.

In connection with any substitution or amendment in accordance with this clause (a) of this Condition 12, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

An "**Alignment Event**" will have occurred if, as a result of any change in National Regulations at any time after the Issue Date, any Relevant Swiss Issuer would be permitted to issue or guarantee (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), or has issued or guaranteed (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), a capital instrument that (i) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both), and (ii) has terms and conditions that (A) include a write-down feature, and (B) contain one or more provisions that are, in the reasonable opinion of UBS Group AG, different in any material respect from those in these Terms and Conditions, which provisions, if they had been included in these Terms and Conditions, would have prevented the Notes from being eligible in full to be treated as Additional Tier 1 Capital and/or to be counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) immediately prior to such change in National Regulations.

(b) In addition to its rights under clause (a) of this Condition 12, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to the provisions of clause (a) of Condition 14 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 11 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 14 (*Issuer Substitution*)), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.

(c) The Issuer shall notify the Holders of any amendments made pursuant to clause (b) of this Condition 12 in accordance with Condition 13 (*Notices*), which notice shall state the date on which such amendment will be effective.

(d) Any amendment made pursuant to this Condition 12 will be binding on the Holders in accordance with its terms.

13. **NOTICES**

(a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of the SIX Swiss Exchange (https://www.six-group.com/exchanges/index_en.html), where notices are as at the Issue Date published under the address https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/, or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

(b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange:

(i) if the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Holders shall only be required to be given by the Issuer in accordance with clause (c) of this Condition 13; or

(ii) if the Global Certificate(s) have been exchanged for Definitive Certificates, the Issuer shall send notices to Holders by first class mail at their respective addresses as recorded in the Register, and any such notice will be validly given on the fourth Business Day after the date of such mailing.

(c) So long as the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be validly given on the date of delivery to DTC in accordance with DTC's applicable procedures.

14. **ISSUER SUBSTITUTION**

(a) The Issuer (for purposes of this Condition 14, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 13 (*Notices*), *provided* that:

(i) the Substitute Issuer is UBS Group AG or, if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;

(ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;

(iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the

Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and on the terms whereby subclause (iii) of Condition 5(h) (*Cancellation of interest; prohibited interest*), Condition 9 (*Taxation*), Condition 11 (*Events of Default*) and Condition 19 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;

(iv) the Current Issuer and the Substitute Issuer (1) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Fiscal Agency Agreement, and (2) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;

(v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in clause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

(vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;

(vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and

(viii) such substitution does not give rise to a Tax Event or a Regulatory Event.

(b) Upon any substitution pursuant to clause (a) of this Condition 14, (i) the Substitute Issuerwill succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be releasedfrom its obligations under the Notes.

(c) After giving effect to any substitution pursuant to clause (a) of this Condition 14, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

## 15. CONSOLIDATION, MERGER OR SALE

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to any Person of which at least 95 per cent. of such Person's capital and voting rights are held, directly or indirectly, by the Issuer) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

## 16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 16, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

## 17. CURRENCY INDEMNITY

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 17, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 17 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

## 18. RULE 144A INFORMATION

If at any time the Issuer is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US ExchangeAct, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.

## 19. NO SET-OFF BY HOLDERS

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

20. **NO CONVERSION**

Notwithstanding the powers of FINMA under articles 25 *et seq.* of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, the Notes shall under no circumstances be converted into equity of the Issuer, and shall only absorb losses pursuant to these Terms and Conditions.

21. **GOVERNING LAW AND JURISDICTION**

(a) The Notes shall be governed by and construed in accordance with the laws of Switzerland.

(b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

Exhibit 4.19

## High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|---|---|
| **Issuer** | UBS Group AG |
| **ISIN** | US902613AJ70 (144A) / USH42097CS44 (Reg S) |
| **Issue Date** | 12.01.2022 |
| **Currency** | USD |
| **Nominal (million)** | 1,500 |
| **Interest Rate** | 4.875% [1] |
| **Maturity Date** | perpetual |
| **First Call Date** | 12.02.2027 |

[1] Rate subject to change after first call date.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

### 1. DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 9 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 8 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and any other agent from time to time appointed pursuant to the terms of the Fiscal Agency Agreement.

"**Alignment Event**" has the meaning assigned to such term in clause (a) of Condition 12 (*Substitution and Amendment*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (f) of Condition 7 (*Contingent Write-down*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"**Bankruptcy Event**" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, including, without limitation, in connection with article 725a of the Swiss Code, (ii) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (iii) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, and/or (iv) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided*, *however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betreibungsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, including, in the case of each of subclauses (x), (y) and (z), any steps (other thanany steps described in clauses (i) through (iv) of this definition) taken under or in connection therewith.

"**BIS Regulations**" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"**BIS Risk Weighted Assets**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance doubt, the term "**risk-weighted assets**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London, New York City and Zurich.

"**Calculation Agent**" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"**Calculation Amount**" means USD 1,000.

"**Capital Adequacy Ordinance**" means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"**Certificate**" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"**CET1 Capital**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**common equity tier 1 capital**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**CET1 Ratio**" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.

"**Code**" has the meaning assigned to such term in clause (c) of Condition 9 (*Taxation*).

"**Compliant Securities**" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), *provided* that:

(a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;

(b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and*

*Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;

(c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and

(d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"**Contingent Write-down**" means the events described in subclauses (i) through (iii) of clause (d) of Condition 7 (*Contingent Write-down*).

"**Day Count Fraction**" means, in respect of any period (the "**Calculation Period**"), the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30.

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Definitive Certificate**" has the meaning assigned to such term in subclause (c)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Depositary**" means DTC or any other Relevant Clearing System outside of Switzerland designated as Depositary by the Issuer; *provided*, *however*, that, irrespective of the number of Regulation S Global Certificates and/or Rule 144A Global Certificates, as the case may be, outstanding, there will be no more than one Depositary for the Notes at any time.

"**Distributable Items**" means, in respect of an Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Distribution Compliance Period**" means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

"**DTC**" means The Depository Trust Company.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 11 (*Events of Default*).

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Write-down Notice in accordance with Condition 7 (*Contingent Write-down*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**FBA**" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"**First Call Date**" means 12 February 2027.

"**Fiscal Agency Agreement**" means the fiscal agency agreement dated as of 10 February 2021 among the Issuer, the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and the other Agents from time to time party thereto, as may be amended, supplemented or otherwise modified from time to time.

"**Fiscal Agent**" means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor fiscal agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"**Fixed Interest Rate**" means 4.875 per cent. per annum.

"**Former Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 14 (*Issuer Substitution*).

"**Global Certificate**" means a Regulation S Global Certificate and/or Rule 144A Global Certificate, as the case may be.

"**Going-Concern LR Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"**Going-Concern RWA Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"**Group**" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"**Group Holding Company**" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"**Higher-Trigger Amount**" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"**Higher-Trigger Contingent Capital**" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Write-down Threshold (with respect to the relevant Higher-Trigger Contingent Capital, its "**Higher-Trigger Threshold**").

"**Higher-Trigger Threshold**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"**Higher-Trigger Write-down/Conversion Date**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"**Higher-Trigger Write-down/Conversion Notice**" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the "**Higher-Trigger Write-down/Conversion Date**"). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below the Higher-Trigger Threshold, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date shall be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Contingent Write-down*).

"**Holder**" means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of these Terms and Conditions or such Notes or have any rights, or be owed any obligations by the Issuer, under such Notes.

"**Indirect Holder**" means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Notes through a bank, broker or other financial institution that (i) participates in the book-entry system of DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system (each, a "**Relevant Clearing System**"), or (ii) holds an interest in such Note through a participant in the book-entry system of any Relevant Clearing System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer, under the Notes.

"**Interest Payment Date**" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"**Issue Date**" means 12 January 2022.

"**Issuer**" means UBS Group AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means 3.404 per cent. per annum.

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Residence**" has the meaning assigned to such term in subclause (a)(i)(E) of Condition 14 (*Issuer Substitution*).

"**Notes**" means the USD 1,500,000,000 4.875 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London and New York City.

"**Permitted Transactions**" means:

(a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with(x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;

(b) market-making in Ordinary Shares as part of the securities business of any member of the Group;

(c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;

(d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and

(e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"**Person**" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"**Presentation Currency**" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"**Public Sector**" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"**Publication Date**" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"**Quarterly Financial Accounts**" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**QIB**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Record Date**" means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Register**" means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement.

"**Registrar**" means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor registrar for the Notes appointed in accordance with the Fiscal Agency Agreement.

"**Regulation S Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Banking Day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

"**Relevant Clearing System**" has the meaning assigned to such term in the definition of the term "Indirect Holder".

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

"**Relevant Swiss Issuer**" means, at any time, any bank, or any member of a banking group (including, without limitation, the Group), that is subject to a Going-Concern LR Requirement and a Going-Concern RWA Requirement at such time.

"**Reset Date**" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"**Reset Determination Date**" means, in relation to a Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"**Reset Interest Amount**" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"**Reset Interest Period**" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"**Reset Interest Rate**" means, in relation to any Reset Interest Period, the sum of the Margin and the Treasury Yield in relation to such Reset Interest Period.

"**Reviewed Interim Measurement**" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"**Rule 144A**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Rule 144A Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Scheduled Due Date**" has the meaning assigned to such term in the definition of the term "Relevant Date".

"**Senior Obligations**" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"**Specified Office**" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 1 Columbus Circle, 17th Floor, Mail Stop: NYC01-1710, New York, NY 10019, USA, Attn: Corporates Team, UBS Group AG, (ii) in the case of UBS AG, as Swiss Paying Agent and Calculation Agent, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in writing in accordance with Condition 13 (*Notices*) as soon as practicable after the appointment of such Agent, in the case of each of clauses (i), (ii) and (iii), or such other office as the relevant Agent may designate from time to time by providing notice to the Issuer and the Holders in writing in accordance with Condition 13 (*Notices*).

"**Substitute Issuer**" has the meaning assigned to such term in clause (a) of Condition 14 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(iv) of Condition 14 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

"**Substitution or Amendment Notice**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

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

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 9 (*Taxation*).

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Treasury Yield**" means, in relation to any Reset Interest Period,

(a) the rate per annum equal to the semi-annual equivalent yield to maturity, that represents the average of such yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for a five-year maturity, appearing under the caption "Treasury constant maturities" in the most recent H.15; or

(b) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (a) above, the rate per annum equal to the semi-annual equivalent yield to maturity determined by interpolation between the most recent average of such yield to maturity, such average to be determined for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for two series of US Treasury securities trading in the public securities market, (i) one maturing as close as possible to, but earlier than, the first Reset Date following the next succeeding Reset Determination Date, and (ii) the other maturing as close as possible to, but later than, the first Reset Date following the next succeeding Reset Determination Date; or

(c) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (b) above, the rate per annum equal to the semi-annual equivalent yield to maturity for a five-year maturity for the last available date preceding the applicable Reset Determination Date, appearing under the caption "Treasury constant maturities" in the H.15 that has been most recently published prior to the applicable Reset Determination Date,

in each case, as determined by the Calculation Agent on the applicable Reset Determination Date.

For purposes of this definition, (i) "**H.15**" means the statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System (or any successor publication that is published by the Board of Governors of the United States Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years), (ii) "**most recent H.15**" means, in respect of any Reset Interest Period, the H.15 published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date, (iii) "**New York Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City, and (iv) "**semi-annual equivalent yield to maturity**" means, for securities with two interest payments per year, the annualized yield to maturity of such interest payments, such annualized yield to be calculated in accordance with standard market practice.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Contingent Write-down*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in the definition of the term "Trigger Event Write-down Notice".

"**Trigger Event Write-down Notice**" means, with respect to any Publication Date, a notice (i) stating that (x) the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, and (y) a Contingent Write-down will take place and (ii) specifying the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (b)(ii) of Condition 7 (*Contingent Write-down*), be no later than ten Business Days after the date of such notice (the "**Trigger Event Write-down Date**").

"**US**" or "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"**US Exchange Act**" means the US Securities Exchange Act of 1934, as amended from time to time.

"**US Investment Company Act**" means the US Investment Company Act of 1940, as amended from time to time.

"**US Securities Act**" means the US Securities Act of 1933, as amended from time to time.

"**USD**" means United States dollars.

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Notice**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Write-down Date**" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

"**Write-down Notice**" means, with respect to any Contingent Write-down, the relevant Trigger Event Write-down Notice or Viability Event Write-down Notice, as applicable.

"**Write-down Notice Date**" means, with respect to any Contingent Write-down, the date of the relevant Write-down Notice.

"**Write-down Threshold**" means 7 per cent.

2. **AMOUNT, DENOMINATION AND FORM**

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be USD 1,500,000,000. The Notes will be issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 7 (*Contingent Write-down*). The Notes may only be held and transferred in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

(b) *Global Certificates*

(i) Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("Rule **144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Global Certificate's deposit, all beneficial interests in the Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Global Certificate and the form of Rule 144A Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Each Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided*, *however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

(iii) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depositary, the Holder of a Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes, and nothing in these Terms and Conditions will prevent the Issuer or the Agents or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Global Certificate for purposes of this subclause (b)(iii). Although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, so long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depositary, the Holder of a Global Certificate shall (A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(c) *Definitive Certificates*

(i) Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):

(A) the Depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the US Exchange Act; or

(B) at any time the Depositary is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depositary, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depositary or of the Notes, as the case may be, from or on behalf of the Depositary; or

(C) issuance of the Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or

(D) the Issuer provides its consent.

(ii) If a Global Certificate is to be exchanged for Definitive Certificates pursuant to subclause (i) of this clause (c), the Issuer will procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders, addresses and denominations provided in a written notice to be given by the Depositary or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depositary's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof not later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depositary (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(iii) If Definitive Certificates have been issued pursuant to this Condition 2(c), any Definitive Certificate that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the Specified Office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Definitive Certificate allegedly or actually lost, stole or destroyed is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Certificate subsequently presented) as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

## 3. TRANSFER

(a) *General*

(i) Subject to Conditions 3(b) and 3(c), title to Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.

(iii) Transfers of Notes and the issue of new Global Certificates or Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.

(iv) No Holder may require the transfer of a Note to be registered (x) if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*), during the period of 15 days ending on (and including) the relevant Redemption Date, or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.

(v) No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer, under the Notes. Payments of principal, interest or any other amount in respect of Notes will be made only to the Person shown on the Register as the registered holder of such Note (i.e., the Holder) at close of business on the relevant Record Date.

(b) *Transfer of Notes represented by a Global Certificate*

(i) Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Notes represented by Global Certificates may be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Fiscal Agency Agreement and this Condition 3(b).

(ii) A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

(iii) A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.

(iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).

(c) *Transfer of Notes represented by a Definitive Certificate*

(i) If and when Definitive Certificates have been issued pursuant to Condition 2(c), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the

Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.

(ii) Each new Definitive Certificate to be issued pursuant to Condition 2(c) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent to which delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (i) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act, (iii) pursuant to an exemption from registration under Rule 144 under the US Securities Act, or in accordance with another exemption from, or in a transaction not subject to, registration under the US Securities Act, if available, or (iv) pursuant to an effective registration statement under the US Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

## 4. STATUS AND SUBORDINATION

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions), the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations and (C) senior to the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 11 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, clause (d) of Condition 7 (*Contingent Write-down*), irrespective of whether the relevant Write-down Notice has been given prior to or after the occurrence of an Event of Default or any other event.

5. **INTEREST**

(a) *Interest Payment Dates*

(i) Subject to Condition 7 (*Contingent Write-down*) and clause (g) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

(ii) Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 12 February and 12 August of each year (each, an "**Interest Payment Date**"), commencing on 12 August 2022.

(b) *Determination of the Treasury Yield, Reset Interest Rate and Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period, the Calculation Agent will, as soon as practicable on the Reset Determination Date in relation to such Reset Interest Period, determine the Treasury Yield and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event not later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*) no later than two Business Days prior to such Redemption Date.

(d) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5:

(i) the amount of interest payable per Calculation Amount on each Interest PaymentDate to (and including) the First Call Date in respect of the Notes will be (A) in the case of the first Interest Payment Date, USD 28.44, and (B) otherwise, USD 24.38; and

(ii) if interest is required to be paid in respect of a Note on any other date (including,for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:

(A) applying the applicable Interest Rate to the Calculation Amount;

(B) multiplying the product thereof by the Day Count Fraction; and

(C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(e) *Calculation of amount of interest payable per Note*

Subject to Condition 7 (*Contingent Write-down*) and clause (h) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

(i) the amount of interest per Calculation Amount; and

(ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for the purposes of this Condition 5 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 5.

(g) *Accrual of interest in the case of redemption or a Write-down Event*

(i) Subject to Condition 7 (*Contingent Write-down*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue up to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided*, *however*, that if the payment with respect to any Note is improperly withheld or refused on suchRedemption Date, interest will continue to accrue on the principal amount of suchNote (both before and after judgment) at the relevant Interest Rate to the RelevantDate.

(ii) Upon the occurrence of a Write-down Event, interest on the Notes will cease to accrue and any accrued and unpaid interest as at the time of such Write-down Event (whether or not due and payable) will be written down to zero in accordance with Condition 7 (*Contingent Write-down*).

(h) *Cancellation of interest; prohibited interest*

(i) The Issuer may, at its discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (h)(i) is without prejudice to the provisions of subclause (h)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Fiscal Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (h)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of clauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and shall give notice in accordance with Condition 13 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (i)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (i)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (h)(i) or subclause (h)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,

(A) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and

(B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

(iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(h) will not constitute a default for any purpose (including, without limitation, Condition 11 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 5(h) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.

(v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

## 6. REDEMPTION AND PURCHASE

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with this Condition 6 and subject to Condition 7 (*Contingent Write-down*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

(b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

(c) *Redemption due to a Tax Event*

(i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of clauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

(i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

(i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 30 and not more than 60 days' prior notice in accordance with Condition 13 (*Notices*) (a "**Redemption Notice**"), which notice shall, subject to clause (f) of this Condition 6, be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which date shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").

(ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.

(iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.

(iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 will be cancelled and may not be reissued or resold.

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **CONTINGENT WRITE-DOWN**

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event, a Contingent Write-down will occur on the Trigger Event Write-down Date in accordance with clause (d) of this Condition 7.

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Write-down Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Write-down Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, the Issuer shall, subject to subclauses (b)(ii) and (b)(iii) of this Condition 7, give a Trigger Event Write-down Notice to the Holders (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), in each case in accordance with Condition 13 (*Notices*).

(ii) If a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7, and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,

(A) in the case of clause (x) above, the giving of such Trigger Event Write-down Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and

(B) in the case of clauses (x) and (y) above, if the Trigger Event Write-down Date is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Write-down Notice.

(iii) If (A) a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7 in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Write-down Threshold that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Write-down Notice pursuant to subclause (b)(i) of this Condition 7 in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 13 (*Notices*), which notice shall state that no Contingent Write-down will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (f) of this Condition 7, upon the occurrence of a Viability Event, (A) the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than ten Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**", and such notice, a "**Viability Event Write-down Notice**"), and (B) a Contingent Write-down will occur on the Viability Event Write-down Date in accordance with clause (d) of this Condition 7.

(ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):

(A) FINMA has notified UBS Group AG in writing that it has determined a write-down of the Notes, together with the conversion or write-down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or

(B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that, a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Write-down Notice have been met.

(d) *Contingent Write-down*

If the Issuer has given a Write-down Notice in accordance with this Condition 7, then on the relevant Write-down Date,

(i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

(ii) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (i) of this clause (d) (*bedingter Forderungsverzicht*); and

(iii) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

(e) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (e) subsequently published will have no effect for purposes of this Condition 7.

(f) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

8. **PAYMENTS; AGENTS**

(a) All payments required to be made under the Notes will be made available in good time infreely disposable funds in USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided*, *however*, that, in the case of Notes represented by Definitive Certificates, such Definitive Certificates must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.

(b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.

(c) Subject to clause (d) of this Condition 8:

(i) the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent, a Registrar and a Calculation Agent, (B) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent; and

(ii) if at any time the Fiscal Agent, the Registrar, the Calculation Agent, or the Swiss Paying Agent, (A) becomes incapable of acting, or (B) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent; and

(iii) if at any time the Calculation Agent fails to (A) duly calculate the Reset Interest Rate and the Reset Interest Amount for any Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (B) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Fiscal Agency Agreement and appoint a successor Calculation Agent; *provided*, *however*, that, if the Calculation Agent duly calculates such Reset Interest Rate, Reset Interest Amount or interest amount payable on the Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 8, the Issuer may elect, in its sole discretion and upon written notice to the Holders pursuant to Condition 13 (*Notices*), to cancel such termination (and appointment).

(d) Any appointment or termination of appointment of, or any resignation by, any Agent may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation pursuant to Condition 13 (*Notices*); *provided*, *however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent, the Registrar, the Swiss Paying Agent, or the Calculation Agent may not take effect until the Issuer has appointed a successor Fiscal Agent, Registrar, Swiss Paying Agent or Calculation Agent, as applicable; *provided*, *however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent, the Registrar, any Paying

Agent or the Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.

9. **TAXATION**

(a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.

(b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").

(c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 9 in relation to any Note:

(i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or

(ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or

(iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code (FATCA); or

(iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or

(v) to the extent any combination of subclauses (i) through (iv) of this clause (c) applies.

(d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 9 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 9.

10. **STATUTE OF LIMITATIONS**

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the ten-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

11. **EVENTS OF DEFAULT**

(a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":

(i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer;or

(iv) a Bankruptcy Event.

(b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 7 (*Contingent Write-down*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.

(c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 11, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.

(d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.

(e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.

(f) No remedy against the Issuer other than those described in this Condition 11 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 11.

12. **SUBSTITUTION AND AMENDMENT**

(a) If a Tax Event, a Regulatory Event or an Alignment Event has occurred, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:

(i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;

(ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);

(iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 13 (*Notices*), which notice (the "**Substitution or Amendment Notice**") will, subject to subclause (a)(iv) of this Condition 12, be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");

(iv) prior to the publication of any notice pursuant to subclause (a)(iii) of this Condition 12, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 have arisen; and

(v) no Trigger Event or Viability Event has occurred prior to the relevant Effective Date.

In connection with any substitution or amendment in accordance with this clause (a) of this Condition 12, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

An "**Alignment Event**" will have occurred if, as a result of any change in National Regulations at any time after the Issue Date, any Relevant Swiss Issuer would be permitted to issue or guarantee (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), or has issued or guaranteed (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), a capital instrument that (i) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both), and (ii) has terms and conditions that (A) include a write-down feature, and (B) contain one or more provisions that are, in the reasonable opinion of UBS Group AG, different in any material respect from those in these Terms and Conditions, which provisions, if they had been included in these Terms and Conditions, would have prevented the Notes from being eligible in full to be treated as Additional Tier 1 Capital and/or to be counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) immediately prior to such change in National Regulations.

(b) In addition to its rights under clause (a) of this Condition 12, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to the provisions of clause (a) of Condition 14 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 11 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 14 (*Issuer Substitution*)), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interestsof the Holders.

(c) The Issuer shall notify the Holders of any amendments made pursuant to clause (b) of this Condition 12 in accordance with Condition 13 (*Notices*), which notice shall state the date on which such amendment will be effective.

(d) Any amendment made pursuant to this Condition 12 will be binding on the Holders in accordance with its terms.

## 13. NOTICES

(a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (https://www.ser-ag.com), where notices are as at the Issue Date published under the address https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/, or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

(b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange:

(i) if the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Holders shall only be required to be given by the Issuer in accordance with clause (c) of this Condition 13; or

(ii) if the Global Certificate(s) have been exchanged for Definitive Certificates, the Issuer shall send notices to Holders by first class mail at their respective addresses as recorded in the Register, and any such notice will be validly given on the fourth Business Day after the date of such mailing.

(c) So long as the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be validly given on the date of delivery to DTC in accordance with DTC's applicable procedures.

## 14. ISSUER SUBSTITUTION

(a) The Issuer (for purposes of this Condition 14, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 13 (*Notices*), *provided* that:

(i) the Substitute Issuer is UBS Group AG or, if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;

(ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;

(iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and on the terms whereby subclause (iii) of Condition 5(h) (*Cancellation of interest; prohibited interest*), Condition 9 (*Taxation*), Condition 11 (*Events of Default*) and Condition 19 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;

(iv) the Current Issuer and the Substitute Issuer (1) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Fiscal Agency Agreement, and (2) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;

(v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in clause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

(vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;

(vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and

(viii) such substitution does not give rise to a Tax Event or a Regulatory Event.

(b) Upon any substitution pursuant to clause (a) of this Condition 14, (i) the Substitute Issuerwill succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be releasedfrom its obligations under the Notes.

(c) After giving effect to any substitution pursuant to clause (a) of this Condition 14, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

## 15. CONSOLIDATION, MERGER OR SALE

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to any Person of which at least 95 per cent. of such Person's capital and voting rights are held, directly or indirectly, by the Issuer) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

## 16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 16, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

## 17. CURRENCY INDEMNITY

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 17, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 17 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

## 18. RULE 144A INFORMATION

If at any time the Issuer is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.

19. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuerin respect of, or arising in connection with, the Notes.

20. **NO CONVERSION**

Notwithstanding the powers of FINMA under articles 25 *et seq.* of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, the Notes shall under no circumstances be converted into equity of the Issuer, and shall only absorb losses pursuant to these Terms and Conditions.

21. **GOVERNING LAW AND JURISDICTION**

(a) The Notes shall be governed by and construed in accordance with the laws of Switzerland.

(b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

UBS

Exhibit 4.20

## High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|---|---|
| **Issuer** | UBS Group AG |
| **ISIN** | CH1160680174 |
| **Issue Date** | 16.02.2022 |
| **Currency** | CHF |
| **Nominal (million)** | 265 |
| **Interest Rate** | 3.375% [1] |
| **Maturity Date** | perpetual |
| **First Call Date** | 16.02.2027 |

[1] Rate subject to change after first call date.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

1. **DEFINITIONS**

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 8 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Adjustment Spread**" means, with respect to any Alternative Benchmark Rate determined in accordance with the provisions of clause (c) of Condition 4 (*Interest*), a spread (which may be positive or negative), or a formula or methodology for calculating such a spread, applied to such Alternative Benchmark Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Benchmark Rate with such Alternative Benchmark Rate.

"**Affected Reset Interest Period**" has the meaning assigned to such term in subclause (c)(i) of Condition 4 (*Interest*).

"**Agency Agreement**" means the Agency Agreement dated as of the Issue Date, among the Issuer, the Principal Paying Agent, the Calculation Agent and the other agents from time to time party thereto, as amended, supplemented or otherwise modified from time to time.

"**Alignment Event**" has the meaning assigned to such term in clause (a) of Condition 11 (*Substitution and Amendment*).

"**Alternative Benchmark Rate**" has the meaning assigned to such term in subclause (c)(i) of Condition 4 (*Interest*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (f) of Condition 6 (*Contingent Write-down*).

"**Alternative Relevant Page**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 4 (*Interest*).

"**Alternative Relevant Time**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 4 (*Interest*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"**Bankruptcy Event**" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, including, without limitation, in connection with article 725a of the Swiss Code, (ii) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (iii) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in

Switzerland such as UBS Group AG, and/or (iv) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided*, *however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betreibungsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, including, in the case of each of subclauses (x), (y) and (z), any steps (other thanany steps described in clauses (i) through (iv) of this definition) taken under or in connection therewith.

"**BIS Regulations**" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"**BIS Risk Weighted Assets**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance doubt, the term "**risk-weighted assets**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in Zurich.

"**Calculation Agent**" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Agency Agreement.

"**Calculation Amount**" means CHF 200,000.

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period.

"**Capital Adequacy Ordinance**" means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"**CET1 Capital**" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**common equity tier 1 capital**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**CET1 Ratio**" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"**CHF**" means Swiss francs.

"**Compliant Securities**" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that:

(a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;

(b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 3 (*Status and Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;

(c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and

(d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"**Contingent Write-down**" means the events described in subclauses (i) through (iii) of clause (d) of Condition 6 (*Contingent Write-down*).

"**Day Count Fraction**" means, in respect of any Calculation Period, the number of days in such Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:
"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Distributable Items**" means, in respect of any Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 10 (*Events of Default*).

"**Existing Benchmark Rate**" has the meaning assigned to such term in clause (c) of Condition 4 (*Interest*).

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Write-down Notice in accordance with Condition 6 (*Contingent Write-down*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 6 (*Contingent Write-down*).

"**FBA**" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"**First Call Date**" means 16 February 2027.

"**FISA**" means the Swiss Federal Intermediated Securities Act of 3 October 2008, as amended from time to time.

"**Fixed Interest Rate**" means 3.375 per cent. per annum.

"**Former Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 13 (*Issuer Substitution*).

"**Going-Concern LR Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"**Going-Concern RWA Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"**Group**" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"**Group Holding Company**" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"**Higher-Trigger Amount**" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim

Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"**Higher-Trigger Contingent Capital**" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Write-down Threshold (with respect to the relevant Higher-Trigger Contingent Capital, its "**Higher-Trigger Threshold**").

"**Higher-Trigger Threshold**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"**Higher-Trigger Write-down/Conversion Date**" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"**Higher-Trigger Write-down/Conversion Notice**" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the "**Higher-Trigger Write-down/Conversion Date**"). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below the Higher-Trigger Threshold, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date will be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 6 (*Contingent Write-down*).

"**Holder**" means, with respect to any Note, the person or persons holding such Note in a securities account (*Effektenkonto*) that is in its or their name, or, in the case of intermediaries (*Verwahrungsstellen*), the intermediary or intermediaries holding such Note for its or their own account in a securities account (*Effektenkonto*) that is in its or their name.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case, appointed by the Issuer at its own expense.

"**Independent Adviser Determination Cut-off Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 4 (*Interest*).

"**Interest Payment Date**" has the meaning assigned to such term in subclause (a)(ii) of Condition 4 (*Interest*).

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"**Intermediary**" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"**Intermediated Securities**" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"**Issue Date**" means 16 February 2022.

"**Issuer**" means UBS Group AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means 3.335 per cent. per annum.

"**Mid Market Swap Rate**" means, in relation to any Reset Interest Period:

(a) the annual-mid rate for Swiss franc swaps with a term of five years and a floating leg based on SARON (Swiss Average Rate Overnight) that appears on the Relevant Page as of the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period; or

(b) if such rate does not appear on the Relevant Page at the Relevant Time on such Reset Determination Date, the Reset Reference Bank Rate in relation to such Reset Interest Period.

"**Mid Market Swap Rate Quotations**" means, in relation to any Reset Interest Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on an Actual/360 day count basis) of a fixed-for-floating Swiss franc interest rate swap transaction that:

(a) has a term of five years commencing on the Reset Date on which such Reset Interest Period commences; and

(b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg based on SARON (Swiss Average Rate Overnight) (calculated on the day count basis customary for floating rate payments in Swiss francs).

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Residence**" has the meaning assigned to such term in subclause (a)(i)(E) of Condition 13 (*Issuer Substitution*).

"**Notes**" means the CHF 265,000,000 3.375 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 6 (*Contingent Write-down*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in clause (b) of Condition 7 (*Payments; Paying Agents*).

"**Permitted Transactions**" means:

(a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;

(b) market-making in Ordinary Shares as part of the securities business of any member of the Group;

(c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;

(d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and

(e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"**Presentation Currency**" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"**Principal Paying Agent**" means UBS AG, in its capacity as principal paying agent for the Notes, and includes any successor principal paying agent for the Notes appointed in accordance with the terms of the Agency Agreement.

"**Public Sector**" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"**Publication Date**" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"**Quarterly Financial Accounts**" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 5 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 5 (*Redemption and Purchase*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 5 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the moneypayable on the Scheduled Due Date has not been received by the Principal Paying Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Principal Paying Agent.

"**Relevant Page**" means the GOTTEX page "CHF LCH – CHF Main Page" (or (i) such other page as may replace that page on GOTTEX, or (ii) such other page on such other information service that may replace GOTTEX, in each case, as may be nominated by the person providing or sponsoring the information appearing there for purposes of displaying rates comparable to the Mid Market Swap Rate).

"**Relevant Swiss Issuer**" means, at any time, any bank, or any member of a banking group (including, without limitation, the Group), that is subject to a Going-Concern LR Requirement and a Going-Concern RWA Requirement at such time.

"**Relevant Time**" means 11:00 a.m. (Zurich time).

"**Reset Date**" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"**Reset Determination Date**" means, in relation to any Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"**Reset Interest Amount**" has the meaning assigned to such term in clause (b) of Condition 4 (*Interest*).

"**Reset Interest Period**" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"**Reset Interest Rate**" means, in relation to any Reset Interest Period, the sum of the Margin and the Mid Market Swap Rate in relation to such Reset Interest Period.

"**Reset Reference Bank Rate**" means, in relation to any Reset Interest Period, the percentage rate determined by the Calculation Agent on the basis of the Mid Market Swap Rate Quotations in relation to such Reset Interest Period provided by the Reset Reference Banks to the Calculation Agent at approximately the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period. If at least three such quotations are provided, the Reset Reference Bank Rate for such Reset Interest Period will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two such quotations are provided, the Reset

Reference Bank Rate for such Reset Interest Period will be the arithmetic mean of the quotations provided. If only one such quotation is provided, the Reset Reference Bank Rate for such Reset Interest Period will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for such Reset Interest Period will be equal to (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the Mid Market Swap Rate in relation to the immediately preceding Reset Interest Period, or (ii) in the case of the Reset Interest Period commencing on the First Call Date, 0.040 per cent. per annum.

"**Reset Reference Banks**" means five major banks in the swap, money, securities or other market most closely connected with the Mid Market Swap Rate, as selected by the Issuer after consultation with the Calculation Agent.

"**Reviewed Interim Measurement**" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"**Scheduled Due Date**" has the meaning assigned to such term in the definition of the term "Relevant Date".

"**Senior Obligations**" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"**Substitute Issuer**" has the meaning assigned to such term in clause (a) of Condition 13 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(iv) of Condition 13 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (a)(iii) of Condition 11 (*Substitution and Amendment*).

"**Substitution or Amendment Notice**" has the meaning assigned to such term in subclause (a)(iii) of Condition 11 (*Substitution and Amendment*).

"**Swiss Code**" means the Swiss Code of Obligations of 30 March 1911, as amended from time to time.

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 5 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 8 (*Taxation*).

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 6 (*Contingent Write-down*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 6 (*Contingent Write-down*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in the definition of the term "Trigger Event Write-down Notice".

"**Trigger Event Write-down Notice**" means, with respect to any Publication Date, a notice (i) stating that (x) the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, and (y) a Contingent Write-down will take place and (ii) specifying the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (b)(ii) of Condition 6 (*Contingent Write-down*), be no later than ten Business Days after the date of such notice (the "**Trigger Event Write-down Date**").

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Contingent Write-down*).

"**Viability Event Write-down Date**" has the meaning assigned to such term in subclause (c)(i) ofCondition 6 (*Contingent Write-down*).

"**Viability Event Write-down Notice**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Contingent Write-down*).

"**Write-down Date**" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

"**Write-down Notice**" means, with respect to any Contingent Write-down, the relevant Trigger Event Write-down Notice or Viability Event Write-down Notice, as applicable.

"**Write-down Notice Date**" means, with respect to any Contingent Write-down, the date of the relevant Write-down Notice.

"**Write-down Threshold**" means 7 per cent.

## 2. AMOUNT AND DENOMINATION; FORM AND TRANSFER

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be CHF 265,000,000. The Notes will be issued to Holders in minimum denominations of CHF 200,000 and integral multiples of CHF 200,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 6 (*Contingent Write-down*). The Notes may only be held and transferred in minimum denominations of CHF 200,000 and integral multiples of CHF 200,000 in excess thereof.

(b) *Uncertificated securities*

The Notes are issued in uncertificated form as uncertificated securities (*einfache Wertrechte*) in accordance with article 973c of the Swiss Code. The uncertificated securities (*einfache Wertrechte*) will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*). Such uncertificated securities will then be entered into the main register (*Hauptregister*) of SIX SIS Ltd or any other intermediary (*Verwahrungsstelle*) in Switzerland recognised for such purposes by SIX Swiss Exchange Ltd (SIX SIS Ltd or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) within the meaning of the FISA ("**Intermediated Securities**").

So long as the Notes are Intermediated Securities, the Notes may only be transferred by the entry of the transferred Notes in a securities account of the transferee, as set out in the provisions of the FISA.

The records of the Intermediary will determine the number of Notes held through each participant in the Intermediary.

Neither the Issuer nor any Holder nor any other person will at any time have the right to effect or demand the conversion of the Notes into, or the delivery of, a global note (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

## 3. STATUS AND SUBORDINATION

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 3.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions), the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations and (C) senior to the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 10 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, clause (d) of Condition 6 (*Contingent Write-down*), irrespective of whether the relevant Write-down Notice has been given prior to or after the occurrence of an Event of Default or any other event.

## 4. INTEREST

(a) *Interest Payment Dates*

(i) Subject to Condition 6 (*Contingent Write-down*) and clause (i) of this Condition 4, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

(ii) Subject to Condition 6 (*Contingent Write-down*) and clause (j) of this Condition 4, interest on the Notes will be payable annually in arrear on 16 February of each year (each, an "**Interest Payment Date**"), commencing on 16 February 2023.

(b) *Determination of the Mid Market Swap Rate, the Reset Interest Rate and the Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period and subject to clause (c) of this Condition 4, the Calculation Agent will, as soon as practicable after the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period, determine the Mid Market Swap Rate and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Benchmark replacement*

If the Issuer (in consultation with the Calculation Agent) determines prior to any Reset Determination Date that the rate referred to in clause (a) of the definition of the term "Mid Market Swap Rate" (the "**Existing Benchmark Rate**") has been discontinued, then the following provisions shall apply (subject to the subsequent operation of this clause (c)):

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's discretion, in accordance with subclause (iv) below, an alternative rate to the Existing Benchmark Rate (the "**Alternative Benchmark Rate**") no later than three Business Days prior to the Reset Determination Date relating to the next succeeding Reset Interest Period (such Business Day, the "**Independent Adviser Determination Cut-off Date**", and such next succeeding Reset Interest Period, the "**Affected Reset Interest Period**") for purposes of determining the Mid Market Swap Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;

(ii) if prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate in accordance with subclause (iv) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with subclause (iv) below, the Alternative Benchmark Rate for purposes of determining the Mid Market Swap Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;

(iii) if subclause (ii) above applies and the Issuer is unable or unwilling to determine the Alternative Benchmark Rate prior to the Reset Determination Date relating to the Affected Reset Interest Period in accordance with subclause (iv) below, the Mid Market Swap Rate in respect of the Affected Reset Interest Period will be equal to the Mid Market Swap Rate in respect of the immediately preceding Reset Interest Period (or, if there is no preceding Reset Interest Period, the Reset Interest Rate applicable to the Affected Reset Interest Period will be equal to the Fixed Interest Rate); *provided, however,* that, if this subclause (iii) applies to the Affected Reset Interest Period, the Reset Interest Rate for all succeeding Reset Interest Periods will be the Reset Interest Rate applicable to the Affected Reset Interest Period as determined in accordance with this subclause (iii) unless (A) the Issuer, in its sole discretion, elects to determine an Alternative Benchmark Rate in respect of any such succeeding Reset Interest Period and all Reset Interest Periods thereafter in accordance with the processes set out in this clause (c), and (B) an Alternative Benchmark Rate is so determined;

(iv) in the case of any determination of an Alternative Benchmark Rate pursuant to subclause (i) or (ii) above, such Alternative Benchmark Rate will be such rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner), as applicable, determines in its reasonable discretion has replaced the Existing Benchmark Rate in customary market usage, or, if the Independent Adviser or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) determines in its reasonable discretion is most comparable to the Existing Benchmark Rate; and

(v) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions of this clause (c),

(A) the Independent Adviser (in the case of subclause (2) below, in consultation with the Issuer) or, following consultation with the Calculation Agent, the Issuer (as the case may be) shall also determine in its reasonable discretion (1) the method for obtaining such Alternative Benchmark Rate, including the page on or source from which such Alternative Benchmark Rate appears or is obtained (the "**Alternative Relevant Page**"), and the time at which such Alternative Benchmark Rate appears on, or is obtained from, the Alternative Relevant Page (the "**Alternative Relevant Time**"), (2) whether to apply an Adjustment Spread to such Alternative Benchmark Rate and, if so, the Adjustment Spread, which Adjustment Spread must be recognised or acknowledged as being in customary market usage in international debt capital markets transactions that reference the Existing Benchmark Rate, where such rate has been replaced by such Alternative Benchmark Rate, and (3) any alternative method for determining the Mid Market Swap Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date, which alternative method shall be consistent with any Alternative Benchmark Rate that has broad market support;

(B) for the Affected Reset Interest Period and all Reset Interest Periods thereafter, (1) clause (a) of the definition of the term "Mid Market Swap Rate" shall be amended pursuant to clause (b) of Condition 11 (*Substitution and Amendment*) to give effect to the determination described in subclause (A)(1) above and any Adjustment Spread determined pursuant to subclause (A)(2) above, and (2) clause (b) of the definition of the term "Mid Market Swap Rate" shall be amended pursuant to clause (b) of Condition 11 (*Substitution and Amendment*) to give effect to the determination described in subclause (A)(3) above;

(C) references to the Relevant Page and to the Relevant Time in these Terms and Conditions will be deemed to be references to the Alternative Relevant Page and the Alternative Relevant Time, respectively;

(D) if any changes to the definitions of the terms "Day Count Fraction", "Business Day" and/or "Reset Determination Date" are necessary in order to implement the amendments described in subclause (B) above, such definitions shall be amended pursuant to clause (b) of Condition 11 (*Substitution and Amendment*) to reflect such changes; and

(E) the Issuer shall promptly give notice to the Holders in accordance with Condition 12 (*Notices*) specifying such Alternative Benchmark Rate (including any Adjustment Spread determined pursuant to subclause (A)(2) above and any alternative method for determining the Mid Market Swap Rate described in subclause (A)(3) above), the Alternative Relevant Page, the Alternative Relevant Time, and any amendments implemented pursuant to clause (b) of Condition 11 (*Substitution and Amendment*) as described in subclauses (B) and (D) above.

(d) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event not later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 12 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 5 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 12 (*Notices*) no later than two Business Days prior to such Redemption Date.

(e) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 6 (*Contingent Write-down*) and clause (j) of this Condition 4:

(i) the amount of interest payable per Calculation Amount on each Interest Payment Date to (and including) the First Call Date in respect of the Notes will be CHF 6,750; and

(ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:

(A) applying the applicable Interest Rate to the Calculation Amount;

(B) multiplying the product thereof by the Day Count Fraction; and

(C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(f) *Calculation of amount of interest payable per Note*

Subject to Condition 6 (*Contingent Write-down*) and clause (j) of this Condition 4, the amount of interest payable in respect of a Note will be the product of:

(i) the amount of interest per Calculation Amount; and

(ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(g) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for purposes of this Condition 4, whether by the Reset Reference Banks (or any of them) or the Calculation Agent, will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Reset Reference Banks (orany of them) or the Calculation Agent in connection with the exercise or non-exercise bythe Calculation Agent of its powers, duties and discretions under this Condition 4.

(h) *Calculation Agent*

So long as any Note is outstanding, the Issuer will at all times maintain a Calculation Agent. If the Calculation Agent is unable or unwilling to act as such or if the Calculation

Agent fails to (i) duly calculate the Mid Market Swap Rate, the Reset Interest Rate and the Reset Interest Amount in relation to any Reset Interest Period or the interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 5 (*Redemption and Purchase*)) or (ii) comply with any other requirement in relation to the Notes, the Issuer shall appoint a leading bank or financial institution that is experienced in the calculations or determinations to be made by the Calculation Agent under these Terms and Conditions to act as such in the Calculation Agent's place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Any termination or appointment of the Calculation Agent pursuant to this clause (h) shall take effect not more than 45 and not less than 30 days' after the Issuer has notified the Holders of such termination or appointment pursuant to Condition 12 (*Notices*); *provided*, *however*, that, in the case of insolvency of the Calculation Agent, such termination or appointment will take immediate effect.

(i) *Accrual of interest in the case of redemption or a Write-down Event*

(i) Subject to Condition 6 (*Contingent Write-down*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 5 (*Redemption and Purchase*), interest on the Notes will accrue up to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided*, *however*, that if the payment with respect to any Note is improperly withheld or refused on suchRedemption Date, interest will continue to accrue on the principal amount of suchNote (both before and after judgment) at the relevant Interest Rate to the RelevantDate.

(ii) Upon the occurrence of a Write-down Event, interest on the Notes will cease to accrue and any accrued and unpaid interest as at the time of such Write-down Event (whether or not due and payable) will be written down to zero in accordance with Condition 6 (*Contingent Write-dow*n).

(j) *Cancellation of interest; prohibited interest*

(i) The Issuer may, at its discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (j)(i) is without prejudice to the provisions of subclause (j)(ii) of this Condition 4. Non-payment of any amount of interest by the Issuer to the Principal Paying Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (j)(i) to the Holders on or prior to therelevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of clauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Principal Paying Agent and shall give notice in accordance with Condition 12 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (j)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (j)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (j)(i) or subclause (j)(ii) of this Condition 4, UBS Group AG shall not, directly or indirectly,

(A) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and

(B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

(iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 4(j) will not constitute a default for any purpose (including, without limitation, Condition 10 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 4(j) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.

(v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (j)(i) of this Condition 4 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 12 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (j)(i) of this Condition 4 to cancel any interest payments as from the date of such notice.

5. **REDEMPTION AND PURCHASE**

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with this Condition 5 and subject to Condition 6 (*Contingent Write-down*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 5.

(b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 5, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

(c) *Redemption due to a Tax Event*

(i) Subject to clause (e) of this Condition 5, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of clauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

(i) Subject to clause (e) of this Condition 5, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

(i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 5, then the Issuer shall give the Holders not less than 30 and not more than 60 days' prior notice in accordance with Condition 12 (*Notices*) (a "**Redemption Notice**"), which notice shall, subject to clause (f) of this Condition 5, be irrevocable and specify (x) the clause of this Condition 5 pursuant to which the redemption is to be made, and (y) the date on which the Issuer will redeem the Notes pursuant to such clause of this Condition 5 (such specified date, the "**Redemption Date**").

(ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 5 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.

(iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 5 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.

(iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 5, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 5, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 5 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 5 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 5 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 5 will be cancelled and may not be reissued or resold.

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 5, nothing in this Condition 5 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

## 6. CONTINGENT WRITE-DOWN

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event, a Contingent Write-down will occur on the Trigger Event Write-down Date in accordance with clause (d) of this Condition 6.

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Write-down Notice in accordance with clause (b) of this Condition 6.

(b) *Trigger Event Write-down Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, the Issuer shall, subject to subclauses (b)(ii) and (b)(iii) of this Condition 6, give a Trigger Event Write-down Notice to the Holders (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), in each case in accordance with Condition 12 (*Notices*).

(ii) If a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 6, and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,

(A) in the case of clause (x) above, the giving of such Trigger Event Write-down Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and

(B) in the case of clauses (x) and (y) above, if the Trigger Event Write-down Date is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Write-down Notice.

(iii) If (A) a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 6 in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Write-down Threshold that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Write-down Notice pursuant to subclause (b)(i) of this Condition 6 in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 12 (*Notices*), which notice shall state that no Contingent Write-down will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (f) of this Condition 6, upon the occurrence of a Viability Event, (A) the Issuer shall give notice to the Holders in accordance with Condition 12 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than ten Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**", and such notice, a "**Viability Event Write-down Notice**"), and (B) a Contingent Write-down will occur on the Viability Event Write-down Date in accordance with clause (d) of this Condition 6.

(ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):

(A) FINMA has notified UBS Group AG in writing that it has determined a write-down of the Notes, together with the conversion or write-down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or

(B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that, a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Write-down Notice have been met.

(d) *Contingent Write-down*

If the Issuer has given a Write-down Notice in accordance with this Condition 6, then on the relevant Write-down Date,

(i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

(ii) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (i) of this clause (d) (*bedingter Forderungsverzicht*); and

(iii) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

(e) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 6, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (e) subsequently published will have no effect for purposes of this Condition 6.

(f) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 6 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 12 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

## 7. PAYMENTS; PAYING AGENTS

(a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in CHF, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Business Day, then the Holders will not be entitled to payment thereof until the first Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in CHF without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality.

(b) The Issuer reserves the right to terminate the appointment of the Principal Paying Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**", which term includes the Principal Paying Agent). Any such appointment or termination of appointment shall only take effect not more than 45 and not less than 30 days' after the Issuer has notified the Holders of such appointment or termination pursuant to Condition 12 (*Notices*); *provided*, *however*, that, in the case of insolvency of any Paying Agent, any termination of such Paying Agent and appointment of any other Paying Agent will take immediate effect. In addition, for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent.

## 8. TAXATION

(a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.

(b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").

(c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 8 in relation to any Note:

(i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or

(ii) with respect to any Tax collected pursuant to the provisions of, or any laws or an agreement with any Tax Jurisdiction relating to, Sections 1471 through 1474 of the US Internal Revenue Code, as amended (commonly referred to as "FATCA"); or

(iii) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person other than the issuer is required to withhold tax on any interest payments; or

(iv) to the extent any combination of subclauses (i) through (iii) of this clause (c) applies.

(d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 8 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 8.

## 9. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the ten-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

## 10. EVENTS OF DEFAULT

(a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":

(i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or

(iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer;or

(iv) a Bankruptcy Event.

(b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 6 (*Contingent Write-down*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.

(c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 10, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.

(d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 10 and subject to Condition 6 (*Contingent Write-down*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.

(e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 10 and subject to Condition 6 (*Contingent Write-down*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.

(f) No remedy against the Issuer other than those described in this Condition 10 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 10.

## 11. SUBSTITUTION AND AMENDMENT

(a) If a Tax Event, a Regulatory Event or an Alignment Event has occurred, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:

(i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;

(ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);

(iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 12 (*Notices*), which notice (the "**Substitution or Amendment Notice**") will, subject to subclause (a)(iv) of this Condition 11, be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");

(iv) prior to the publication of any notice pursuant to subclause (a)(iii) of this Condition 11, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 11 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 11 have arisen; and

(v) no Trigger Event or Viability Event has occurred prior to the relevant Effective Date.

In connection with any substitution or amendment in accordance with this clause (a) of this Condition 11, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

An "**Alignment Event**" will have occurred if, as a result of any change in National Regulations at any time after the Issue Date, any Relevant Swiss Issuer would be permitted to issue or guarantee (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), or has issued or guaranteed (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), a capital instrument that (i) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both), and (ii) has terms and conditions that (A) include a write-down feature, and (B) contain one or more provisions that are, in the reasonable opinion of UBS Group AG, different in any material respect from those in these Terms and Conditions, which provisions, if they had been included in these Terms and Conditions, would have prevented the Notes from being eligible in full to be treated as Additional Tier 1 Capital and/or to be counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) immediately prior to such change in National Regulations.

(b) In addition to its rights under clause (a) of this Condition 11, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) any Alternative Benchmark Rate determined in accordance with clause (c) of Condition 4 (*Interest*) (including any Adjustment Spread determined in accordance with subclause (v)(A)(2) thereof and any alternative method for determining the Mid Market Swap Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date determined in accordance with subclause (v)(A)(3) thereof), and any related changes to the definitions of the terms "Day Count Fraction", "Business Day" and/or "Reset Determination Date" determined to be necessary in accordance with subclause (v)(D) thereof, or (B) the provisions of clause (a) of Condition 13 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 3 (*Status and Subordination*) and the provisions of Condition 10 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 13 (*Issuer Substitution*)), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.

(c) The Issuer shall notify the Holders of any amendments made pursuant to clause (b) of this Condition 11 in accordance with Condition 12 (*Notices*), which notice shall state the date on which such amendment will be effective.

(d) Any amendment made pursuant to this Condition 11 will be binding on the Holders in accordance with its terms.

12. **NOTICES**

So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (a) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (https://www.ser-ag.com), where notices are as at the Issue Date published under the address https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/, or (b) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

If the Notes are for any reason no longer listed on the SIX Swiss Exchange, notices to Holders will be given by the Issuer to the Intermediary for forwarding to the Holders. Any such notice will be validly given on the date of delivery to the Intermediary.

13. **ISSUER SUBSTITUTION**

(a) The Issuer (for purposes of this Condition 13, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 12 (*Notices*), *provided* that:

(i) the Substitute Issuer is UBS Group AG or at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;

(ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;

(iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 3 (*Status and Subordination*), the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and on the terms whereby subclause (iii) of Condition 4(j) (*Cancellation of interest; prohibited interest*), Condition 8 (*Taxation*), Condition 10 (*Events of Default*) and Condition 16 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;

(iv) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 3 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Agency Agreement, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;

(v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in subclause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

(vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;

(vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes;

(viii) the Substitute Issuer has appointed a Paying Agent in Switzerland that is a participant in the Intermediary; and

(ix) such substitution does not give rise to a Tax Event or a Regulatory Event.

(b) Upon any substitution pursuant to clause (a) of this Condition 13, (i) the Substitute Issuerwill succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be releasedfrom its obligations under the Notes.

(c) After giving effect to any substitution pursuant to clause (a) of this Condition 13, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

## 14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 14, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

15. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than CHF (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in CHF that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase CHF with such amount on such date, on the first date on which it is practicable to do so). If the amount of CHF that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 15, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 15 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

16. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

17. **NO CONVERSION**

Notwithstanding the powers of FINMA under articles 25 *et seq.* of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, the Notes shall under no circumstances be converted into equity of the Issuer, and shall only absorb losses pursuant to these Terms and Conditions.

18. **GOVERNING LAW AND JURISDICTION**

(a) The Notes shall be governed by and construed in accordance with the laws of Switzerland.

(b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

Exhibit 4.21

## Additional Tier 1 capital (Basel III-compliant)

| | |
|---|---|
| **Issuer** | UBS Group AG, or other employing entities of the UBS group |
| **ISIN** | - |
| **Issue Date** | 18.02.2022[1] |
| **Currency** | USD |
| **Nominal (million)** | [2] |
| **Coupon Rate** | 5.7% / 3.7%[3] |
| **Maturity Date** | perpetual[4] |
| **First Call Date** | 1 March 2027[5] |

[1] Issuance date which corresponds to grant date for employees.
[2] Nominal amount at issuance with respective exchange rate used. For information on the outstanding amount, refer to the table “Capital and total loss-absorbing capacity instruments of UBS Group AG consolidated and UBS AG consolidated and standalone - Key features”.
[3] Applicable to USD-denominated and CHF-denominated issues, respectively and not payable to EU/UK MRTs and SMFs, both as defined within this document.
[4] Subject to forfeiture and vesting provisions.
[5] For SMFs and certain EU MRT, as defined within this document, partly also 1 March 2028 and 1 March 2029.

## Deferred Contingent Capital Plan 2021/22 (DCCP)

Summary description of the terms and conditions of DCCP as a capital instrument

| | |
|---|---|
| Overview | Issues under the DCCP are made by UBS Group AG or certain other employing entities to key contributors at UBS Group AG or any of its subsidiaries (together, the "Group"). Eligibility is determined by the Issuer and issues are granted at its sole discretion. |
| Issuer | UBS Group AG or certain other employing entities of the UBS group |
| Type of instrument | Non-transferable contingent right against the Issuer to receive<br>(i) discretionary annual interest equivalent payments on the nominal value of a hypothetical perpetual Additional Tier 1 ("AT1") security notionally issued by UBS Group AG at grant (the "Notional Bond"), and<br>(ii) at redemption, as determined by the Issuer in its sole discretion, either the value of the Notional Bond in cash or perpetual AT1 securities issued or guaranteed by UBS Group AG or any other member of the Group of equivalent value (in each case net of any applicable taxes and social security contributions to the employee's account).<br><br>For DCCP awarded to EU/UK Material Risk Takers (MRT)[1] and individuals performing designated UK Senior Management Functions (SMF)[2] there will be no contingent right to receive discretionary annual interest payments; only non-transferable contingent right against the Issuer to receive the amount indicated under (ii) above. |
| Conditional Interest Equivalents | Subject to (i) the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions" and (ii) the discretionary and mandatory interest cancellation provisions as set out below, interest equivalents will be payable annually in arrears on the nominal value of the Notional Bond at a rate of 3.7% for CHF-denominated issues and 5.7% for USD-denominated issues.<br><br>The Issuer may, at its discretion, elect to cancel any interest equivalent that is otherwise scheduled to be paid on any interest payment date. In addition, without limitation to the foregoing, payments of interest equivalents will not be made unless sufficient distributable items (i.e., net profits carried forward and freely distributable reserves) of UBS Group AG are available. |
| Maturity date | Issues under the DCCP have no scheduled maturity date.<br><br>Notwithstanding the foregoing, but subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions", issues to US taxpayers will mature and be settled on or about 1 March 2027 (the "First Call Date"). The Notional Bond underlying such issues will have no scheduled maturity date. |

[1] Based on relevant European Banking Authority's ("EBA") Regulatory Technical Standards (RTS) for EU MRTs, and for UK MRTs, based on the EBA RTS and the UK Prudential Regulation Authority's and Financial Conduct Authority's rules.
[2] As defined by the UK's Prudential Regulation Authority and Financial Conduct Authority.

| | |
|---|---|
| Trigger Event or Viability Event | All outstanding issuances under the DCCP (or, in case of a Trigger Event (as defined below), all outstanding awards under the DCCP in relation to which a Trigger Event has occurred) will be automatically and permanently written down to zero, no further amounts will be due or paid thereunder and such awards will be permanently cancelled, if:<br>a) the reported Common Equity Tier 1 ratio of the Group set forth in UBS Group AG 's quarterly financial accounts, results, the annual report, or in any reviewed interim measurement published upon the instruction of the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), falls below 7% or, with respect to grants awarded to Group Executive Board members, 10%, as of the relevant balance sheet date (each, a "Trigger Event");<br>b) FINMA provides UBS Group AG with written notice of its determination that amounts outstanding under the DCCP are required to be written down to prevent the insolvency, bankruptcy or failure of UBS Group AG; or<br>c) UBS Group AG has received a commitment of direct or indirect extraordinary support from the public sector that FINMA has determined and confirmed in writing to UBS Group AG is necessary to prevent the insolvency, bankruptcy or failure of UBS Group AG (an event described in clause (b) or (c), a "Viability Event"). |
| Conditional Redemption | Subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions", the Issuer may, at its sole discretion, redeem any issuance by way of either a cash payment or delivery of AT1 securities on the First Call Date, provided that, where the Issuer has elected to redeem an issuance by way of a cash payment, a redemption will not occur until FINMA has approved it. DCCP issuances to SMFs and to certain EU MRTs may be redeemed by the Issuer on the same basis, in equal quantities on 1 March 2028 and 1 March 2029, and on 1 March 2027 and 1 March 2028, respectively. However, the following exceptions will apply:<br>a) For SMFs who had a corporate title of Group Managing Directors (GMDs) or equivalent as at 31 December 2021, the DCCP Issuances may be redeemed on the same basis with 46% redeemed on 1 March 2028 and 54% redeemed on 1 March 2029<br>b) For SMFs who are members of the Group Executive Board, the DCCP Issuances may be redeemed on the same basis with 23% redeemed on 1 March 2028 and 77% redeemed on 1 March 2029<br><br>In case of a redemption by way of delivery of securities, the securities will be perpetual AT1 securities issued or guaranteed by UBS or any other member of the Group with substantially the same terms and provisions consistent with the Notional Bond, including but not limited to, the same Trigger and Liability Events and the aggregate value of the AT1 securities shall, subject to rounding, equal the value of the Notional Bond (net of any applicable taxes and social security contributions).<br><br>For issuances granted to US taxpayers, redemption will be on the First Call Date, such that if FINMA approval for any cash settlement has not been given, issuances must be settled by delivery of AT1 securities, on or about that date. Any AT1 securities delivered at settlement shall be marketable subordinated UBS Group AG debt instruments in the AT1 category having such terms and provisions consistent with the Notional Bond terms and provisions as determined by UBS Group AG in its sole discretion on or prior to the Grant Date. |

| | |
|---|---|
| Forfeiture and Vesting Provisions | Subject to the conditions set out under "Trigger Event or Viability Event", issuances under the DCCP will vest after a minimum of five years.<br><br>An outstanding unvested issuance under the DCCP will generally be forfeited and cancelled, and no further interest equivalents will generally be due or paid, due to termination of employment or harmful acts by the employee. In certain circumstances, vesting of outstanding awards under the DCCP may be subject to conditions relating to the performance of the Group and/or the employee's business division and similar conditions. In addition, with respect to any award granted to Group Executive Board members, if the Group does not generate an adjusted pre-tax profit with respect to any financial year ending during or after the year of grant, but prior to the relevant vesting date, the nominal amount of such award will be reduced by 20% of the nominal amount of such award on the relevant grant date.<br><br>In case of death or disability, an outstanding unvested issuance under the DCCP will vest on the date that the employee's employment contract terminates due to death or disability.<br><br>Vesting may be accelerated, and forfeiture provisions may be relaxed, in case of early termination of the DCCP by, or change of control in, UBS Group AG. |
| Status | In the event of the liquidation or winding up of the Issuer under circumstances that do not coincide with the occurrence of a Trigger Event or a Viability Event, the holder will have a claim ranking junior to all rights and claims of priority creditors of the Issuer (i.e., claims in respect of obligations of the Issuer (i) that are unsubordinated or (ii) that are subordinated (including Tier 2 instruments) and do not, or are expressly not stated to, rank pari passu with, or junior to, the Issuer's obligations under the DCCP or any of the Issuer's obligations ranking pari passu with the Issuer's obligations under the DCCP). |
| Governing Law | Swiss law / in certain cases, New York law |

**Exhibit 12**

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Ralph Hamers, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 7, 2022

/s/ Ralph Hamers
Name: Ralph Hamers
Title: Group Chief Executive Officer

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Ralph Hamers, certify that:

1. I have reviewed this annual report on Form 20-F of UBS AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 7, 2022

/s/ Ralph Hamers
Name: Ralph Hamers
Title: President of the Executive Board

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Kirt Gardner, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 7, 2022

/s/ Kirt Gardner
Name: Kirt Gardner
Title: Group Chief Financial Officer

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Kirt Gardner, certify that:

1. I have reviewed this annual report on Form 20-F of UBS AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 7, 2022

/s/ Kirt Gardner
Name: Kirt Gardner
Title: Chief Financial Officer

**Exhibit 13**

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2022

/s/ Ralph Hamers
Name: Ralph Hamers
Title: Group Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS AG, a Swiss banking corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2022

/s/ Ralph Hamers
Name: Ralph Hamers
Title: President of the Executive Board

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2022

/s/ Kirt Gardner
Name: Kirt Gardner
Title: Group Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS AG, a Swiss banking corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2022

/s/ Kirt Gardner
Name: Kirt Gardner
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Exhibit 15.1**

Zurich, 07 March 2022

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

(1) on Form F-3 (Registration Number 333-253432), and each related prospectus currently outstanding under such registration statement,
(2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; and 333-249143), and each related prospectus currently outstanding under any of the aforementioned registration statements,
(3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
(4) the Form 8-K of CABCO dated 23 June 2004 (SEC FileNumber 001-13444), and
(5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our reports dated 4 March 2022, with respect to the consolidated financial statements·of UBS Group AG and the effectiveness of internal control over financial reporting of UBS Group AG, included in this Annual Report (Form 20-F) for the year ended 31 December 2021, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd

**Exhibit 15.2**

Zurich, 07 March 2022

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

(1) on Form F-3 (Registration Number 333-253432), and each related prospectus currently outstanding under such registration statement,
(2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; and 333-249143), and each related prospectus currently outstanding under any of the aforementioned registration statements,
(3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
(4) the Form 8-K of CABCO dated 23 June 2004 (SEC FileNumber 001-13444), and
(5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our reports dated 04 March 2022, with respect to the consolidated financial statements of UBS AG and the effectiveness of internal control over financial reporting of UBS AG, included in this Annual Report (Form 20-F) for the year ended 31 December 2021, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd