

**SUPPLEMENT NO. 2 DATED 2 FEBRUARY 2021 TO THE BASE PROSPECTUS/BASE LISTING  
PARTICULARS DATED 5 JUNE 2020**



**UBS AG**

*(incorporated with limited liability in Switzerland)*

**EURO NOTE PROGRAMME**

This supplement (the "**Base Prospectus Supplement**") to the Base Prospectus dated 5 June 2020, as supplemented by the supplement thereto dated 26 August 2020 (the "**Base Prospectus**") and the Base Listing Particulars dated 5 June 2020, as supplemented by the supplement thereto dated 26 August 2020 (the "**Base Listing Particulars**") is prepared in connection with the Euro Note Programme (the "**Programme**") established by UBS AG (the "**Issuer**"). Terms defined in the Base Prospectus/Base Listing Particulars have the same meaning when used in this Base Prospectus Supplement.

This Base Prospectus Supplement constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

This Base Prospectus Supplement is supplemental to and should be read in conjunction with the Base Prospectus/Base Listing Particulars. The purpose of the Base Prospectus Supplement is to reflect certain recent developments in relation to the Issuer, to update the selling restrictions relating to the European Economic Area and the United Kingdom and make other amends for regulatory updates, and to amend the risk factors and provisions of the Terms and Conditions of the Notes relating to SOFR Notes.

This Base Prospectus Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Regulation. The Central Bank only approves this Base Prospectus Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. This supplement has been approved as a Base Listing Particulars Supplement (the "**Base Listing Particulars Supplement**") by the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") pursuant to the listing and admission to trading rules of Euronext Dublin. Where Notes are admitted to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin, references herein to "Base Prospectus Supplement" should be taken to mean "Base Listing Particulars Supplement".

Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are subject of this Base Prospectus Supplement. Investors should make their own assessment as to the suitability of investing in the Notes.

The Issuer accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Base Prospectus Supplement or any statement incorporated by reference into the Base Prospectus/Base Listing Particulars and (b) any other statement in or incorporated by reference in the Base Prospectus/Base Listing Particulars, the statement in (a) above will prevail.

Save as disclosed in this Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus/Base Listing Particulars which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Base Prospectus/Base Listing Particulars.

In circumstances where Article 23(2) of the Prospectus Regulation applies, investors who have agreed to purchase or subscribe for any Notes before this Base Prospectus Supplement is published have the right, exercisable within two working days beginning with the working day after the date on which this Base Prospectus Supplement was published, to withdraw their acceptances. This right to withdraw will expire by close of business on 4 February 2021.

The language of this document is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Any websites referred to within this Base Prospectus Supplement, including [www.ubs.com/investors](http://www.ubs.com/investors) and [www.ubs.com/governance](http://www.ubs.com/governance), do not form part of this Base Prospectus Supplement.

## **AMENDMENTS TO THE BASE PROSPECTUS/BASE LISTING PARTICULARS**

With effect from the date of this Base Prospectus Supplement, the information appearing in the Base Prospectus/Base Listing Particulars shall be amended and/or supplemented in the manner described below.

### **AMENDMENTS TO THE "IMPORTANT NOTICES" SECTION**

In the "Important Notices" section on pages 1-8 inclusive of the Base Prospectus/Base Listing Particulars:

1. The entirety of the subsection titled "*IMPORTANT – EEA AND UK RETAIL INVESTORS*" is deleted and the following is inserted:

#### **"IMPORTANT – EEA RETAIL INVESTORS**

If the applicable Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

#### **IMPORTANT – UK RETAIL INVESTORS**

If the applicable Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation."

2. The entirety of the subsection titled "*EU MiFID II product governance / TARGET MARKET*" is deleted and the following is inserted:

#### **"EU MiFID II product governance / TARGET MARKET**

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

The Final Terms, or elsewhere as deemed appropriate, in respect of any Notes may include a legend entitled "EU MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

#### **UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET**

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Final Terms, or elsewhere as deemed appropriate, in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels."

#### **AMENDMENTS TO THE "*CREDIT RATINGS*" SECTION**

The entirety of the "*Credit Ratings*" subsection on page 10 of the Base Prospectus/Base Listing Particulars is deleted and replaced with the following:

#### **"CREDIT RATINGS**

Details of the solicited credit ratings assigned by Standard & Poor's Global Ratings Europe Limited ("**Standard & Poor's**"), Moody's Deutschland GmbH ("**Moody's**") and Fitch Ratings Limited ("**Fitch Ratings**") to UBS AG can be found in the section of this Base Prospectus/Base Listing Particulars headed "*Description of UBS AG*".

Fitch is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**") and currently appears on the list of credit rating agencies registered or certified with the Financial Conduct Authority published on its website [www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras](http://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras). Ratings given by Fitch are endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") and currently appears on the list of credit ratings agencies published by ESMA on its website [www.esma.europa.eu](http://www.esma.europa.eu) in accordance with the EU CRA Regulation. Standard & Poor's and Moody's are established in the European Union and registered under the EU CRA Regulation and currently appear on the list of credit ratings agencies published by ESMA on its website in accordance with the EU CRA Regulation. Ratings given by Standard & Poor's and Moody's are endorsed by Standard & Poor's Global Ratings UK Limited and Moody's Investors Service Ltd, respectively, which is established in the UK and registered under the UK CRA Regulation and currently appear on the list of credit rating agencies registered or certified with the FCA published on its website.

Tranches of Notes issued under the Programme will be rated or unrated. Where a rating has been solicited for a particular Tranche of Notes, the applicable rating(s) will be specified in the relevant Final Terms. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to UBS AG described in this Base Prospectus/Base Listing Particulars or the rating(s) assigned to Notes already issued.

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes is (1) issued by a credit rating agency established in the EEA or the UK and registered under the EU CRA Regulation or the UK CRA Regulation, (2) issued by a credit rating agency which is not established in the EEA or the UK but will be endorsed by a credit rating agency which is established in the EEA or the UK and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA or the UK but which is certified under the CRA Regulation will be disclosed in the relevant Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus/Base Listing Particulars and anyone who receives this Base Prospectus/Base Listing Particulars must not distribute it to any person who is not entitled to receive it.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. See "Risk Factors - Risks relating to the Notes - Ratings" for a description of risks relating to credit ratings."**

#### **AMENDMENTS TO THE "RISK FACTORS" SECTION**

In the "Risk Factors" section on pages 12-39 inclusive of the Base Prospectus/Base Listing Particulars:

1. The entirety of the subsection titled "*Risks Relating to UBS*" is deleted and the following is inserted:

##### **"RISKS RELATING TO UBS AG**

*Certain risks, including those described below, may affect UBS AG's ability to execute its strategy or its business activities, financial condition, results of operations and prospects. A broad-based international financial services firm such as UBS AG is inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight. As a result, risks that UBS AG does not consider to be material or of which it is not currently aware could also adversely affect UBS. Within each category, the risks that UBS AG considers to be most material are presented first.*

*The Issuer has assessed materiality on a qualitative basis considering potential magnitude of the negative effects on the Issuer from the occurrence of a risk and the probability of occurrence of that risk. The Issuer believes the risk factors described below represent the principal risks inherent in investing in securities issued by UBS AG as Issuer, but additional risks and uncertainties that are not presently known or that the Issuer currently believes are not material may also adversely affect its ability to execute its strategy or its business activities, financial condition, results of operations and prospects. If any of the risks actually occur, the business, results of operations, financial condition and prospects of the Issuer and the UBS Group could be materially adversely affected.*

##### **Market and macroeconomic risks**

***UBS AG's results of operations and financial condition have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.***

The spread of the coronavirus disease ("COVID-19") pandemic and the governmental measures taken to contain the pandemic have significantly adversely affected, and will likely continue to adversely affect, global economic conditions, resulting in meaningful contraction in the global economy, substantial volatility in the financial markets, increased unemployment, increased credit and counterparty risk, and operational challenges such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, though it is unclear whether these or future actions will be successful in countering the economic disruption. If the pandemic is prolonged or the actions of governments and central banks are

unsuccessful, the adverse impact on the global economy will deepen, and UBS AG's results of operations and financial condition in future quarters will be adversely affected.

The outlook for the global economy has deteriorated markedly as a result of the COVID-19 outbreak. COVID-19 and related lockdown measures have significantly impacted major economies across the world. Although economic and other measures taken to counteract the contraction have had a positive effect on economies, the resurgence of the pandemic and related control efforts mean that uncertainties are still at a high level, making predictions difficult and displaying several potential triggers for further negative developments. The COVID-19 pandemic affected all of UBS's businesses in the first half of 2020, and these effects could be greater in the future if conditions become more adverse. These effects included declines in asset prices, significantly increased volatility, 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. These effects were offset by high levels of client trading activity in 2020 and a recovery in economic activity and asset prices in the second half of 2020, partly as a result of economic stimulus. However, there can be no assurance that economic recovery will continue or that client activity will remain at current levels.

Should these global market conditions be prolonged or worsen, or the pandemic lead to additional market disruptions, UBS AG may experience reduced client activity and demand for its products and services, increased utilization of lending commitments, more client defaults, higher credit and valuation losses in UBS AG's loan portfolios, loan commitments and other assets, and impairments of other financial assets. In addition, a sharp decline in interest rates would decrease net interest margins. A decline in invested assets would also reduce recurring fee income in the Global Wealth Management and Asset Management businesses. These factors and other consequences of the COVID-19 pandemic may negatively affect UBS AG's financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible changes or downgrades to our credit ratings.

Although UBS AG has moved a substantial portion of its workforce to work-from-home solutions, including client-facing and trading staff, if significant portions of its workforce, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the adverse effects of the pandemic on its businesses could be exacerbated. In addition, with staff working from outside the offices, UBS AG faces new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While UBS AG has taken measures to manage these risks, such measures have never been tested on the scale or duration that UBS AG is currently experiencing, and there is risk that these measures will not be effective in the current unprecedented operating environment.

The extent to which the pandemic, and the related economic distress, affect UBS AG's businesses, results of operations and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on UBS AG's customers, counterparties, employees and third-party service providers.

Refer to the "*Recent developments*" section of the Fourth Quarter 2020 Report for more information.

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

UBS AG's businesses are materially affected by market and macroeconomic conditions. 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 UBS AG's earnings and ultimately its financial and capital positions.

A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, global trade disruption, changes in monetary or fiscal policy, changes in trade policies, natural disasters, pandemics, civil unrest, acts of violence, war or terrorism. Such developments can have unpredictable and destabilising effects and, because financial markets are global and highly interconnected, even local and regional events can have widespread effects well beyond the

countries in which they occur. Any of these developments may adversely affect UBS AG's 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), UBS AG could suffer losses from enforced default by counterparties, be unable to access its own assets, or be unable to effectively manage its risks.

Should the market experience significant volatility, a decrease in business and client activity and market volumes could result, which would adversely affect UBS AG's ability to generate transaction fees, commissions and margins, particularly in Global Wealth Management and the Investment Bank, as UBS AG experienced in the fourth quarter of 2018. A market downturn would likely reduce the volume and valuation of assets that UBS AG manages 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 UBS AG owns 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 UBS AG's ability to manage risks.

UBS AG 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, UBS AG's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing it 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 its peers, while its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. UBS AG's performance may therefore be more affected by political, economic and market developments in these regions and businesses, including the effects of the Covid-19 outbreak, than some other financial service providers.

***UBS AG's credit risk exposure to clients, trading counterparties and other financial institutions would increase under adverse economic conditions***

Credit risk is an integral part of many of UBS AG's activities, including lending, underwriting and derivatives activities. Adverse economic or market conditions 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 UBS AG's prime brokerage, securities finance and Lombard lending businesses, UBS AG extends substantial amounts of credit against securities collateral, the value or liquidity of which may decline rapidly. UBS AG's Swiss mortgage and corporate lending portfolios are a large part of its overall lending. UBS AG is therefore exposed to the risk of adverse economic developments in Switzerland, including the strength of the Swiss franc and its effect on Swiss exports, prevailing negative interest rates 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. In addition, 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, only gradually diminishing once the economic outlook improves. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect UBS AG's equity and common equity tier 1 ("CET1") capital and regulatory capital ratios.

Refer to the "Recent developments" and "Credit Risk" sections under "Risk management and control" of the Fourth Quarter 2020 Report for more information.

***Low and negative interest rates in Switzerland and elsewhere could continue to negatively affect UBS AG's net interest income***

The continuing low or negative interest rate environment 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 and has recently increased this threshold. Any reduction in or limitation on the use of this exemption from the otherwise applicable negative interest rates could exacerbate the effect of negative interest rates in Switzerland on UBS AG's business.

Low and negative interest rates may also affect customer behaviour and hence UBS AG's overall balance sheet structure. Mitigating actions that UBS AG has 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 UBS AG), net new money outflows and a declining market share in UBS AG's Swiss lending business.

UBS's shareholders' equity and capital are also affected by changes in interest rates. In particular, the calculation of UBS's 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 UBS AG's CET1 capital.

***UBS AG's plans to ensure uninterrupted business dealings as the UK withdraws from the EU may not be effective***

Following the UK's withdrawal from the EU on 31 January 2020, the negotiation on the Trade and Cooperation Agreement, which governs the relationship between the EU and the UK on free trade in goods and mutual market access, among other matters, was finalized on 24 December 2020. In September 2020, the European Commission adopted a temporary equivalence decision for UK central counterparties ("CCPs") for the purpose of facilitating derivatives clearing. The temporary equivalence decision, applicable from 1 January 2021 until 30 June 2022, does not require UBS Europe SE to migrate its exposures to an EU CCP before the end of the transition period.

To prepare UBS AG's business for the UK withdrawal from the EU, in March 2019 UBS completed a business transfer and cross-border merger of UBS Limited, its UK-based subsidiary, and UBS Europe SE, its Germany-headquartered European subsidiary, in order to continue serving EEA clients following the end of the transition period and continues to align its Investment Bank activities to respond to ongoing regulatory guidance.

***Currency fluctuation***

UBS AG is subject to currency fluctuation risks. Although UBS AG's change from the Swiss franc to the US dollar as its functional and presentation currency in 2018 reduces its exposure to currency fluctuation risks with respect to the Swiss franc, a substantial portion of its assets and liabilities are denominated in currencies other than the US dollar. Additionally, in order to hedge UBS AG's CET1 capital ratio, its 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 continue to adversely affect UBS AG's profits, balance sheet and capital leverage and liquidity coverage ratios.

**Regulatory and legal risks**

***Material legal and regulatory risks arise in the conduct of UBS AG's business***

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

UBS AG may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and its reputation, result in prudential actions from regulators, and cause it to record additional provisions for the matter even when it believes it has substantial defences and expects to ultimately achieve a more favourable 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, which UBS AG and UBS (France) S.A. have appealed and is scheduled to be retried in the Court of Appeal in March 2021.

Resolution of regulatory proceedings may require UBS AG to obtain waivers of regulatory disqualifications to maintain certain operations; may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorisations; and may permit financial market utilities to limit, suspend or terminate UBS AG's participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material adverse consequences for UBS AG.

UBS AG's 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 UBS AG, and it was required to enter guilty pleas despite its full cooperation with the authorities in the investigations, and despite its receipt of conditional leniency or conditional immunity from anti-trust authorities in a number of jurisdictions, including the US and Switzerland.

Ever since UBS AG's material losses arising from the 2007–2009 financial crisis, it has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While UBS AG believes it has remediated the deficiencies that led to those losses, as well as to the unauthorised trading incident announced in September 2011, the effects on its reputation, as well as on relationships with regulatory authorities of the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to its foreign exchange and precious metals business, as well as the extensive efforts required to implement new regulatory expectations, have resulted in continued scrutiny.

UBS AG is in active dialog with regulators concerning the actions it is taking to improve its 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 its efforts will have the desired effects. As a result of this history, UBS AG's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

***UBS AG's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards***

UBS AG prepares its 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 contingencies, including 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 for contingencies may be subject to a wide range of potential outcomes and significant uncertainty. For example, the broad range of potential outcomes in UBS AG's 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, UBS AG's 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 UBS AG's regulatory capital and ratios. For example, UBS AG adopted IFRS 9 effective 1 January 2018, which required it to change the accounting treatment of financial instruments measured at amortised cost and certain other positions, to record loans from inception net of ECL allowances and provisions instead of recording credit losses on an incurred loss basis. This may result in a significant increase in recognised credit loss allowances in the future and greater volatility in the income statement as ECL changes in response to developments in the credit cycle and composition of UBS AG's loan portfolio. The effect may be more pronounced in a deteriorating economic environment. For example, in the first half of 2020, UBS has experienced significantly higher levels of ECL as a consequence of the exceptional circumstances and prevailing uncertainties resulting from the effects of the COVID-19 pandemic. Refer to the "*Critical accounting estimates and judgments*" section and "*Note 1 Summary of significant accounting policies*" in the "UBS Group AG consolidated financial statements" section of the Annual Report 2019, as well as "*Note 1 Basis of Accounting*" and "*Expected credit loss measurement*" sections of UBS's quarterly reports for more information.

***If UBS experiences 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 UBS's 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 fulfils 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 have no right under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

If restructuring proceedings are opened with respect to 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, if such equity capital is fully written down, convert into equity or write down the capital and other debt instruments of the entity subject to proceedings. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

Upon full or partial write-down of the equity and debt of the 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 not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential recovery of the debtor. If FINMA orders the conversion of debt of the 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, and such conversion would also dilute the ownership of existing shareholders. In addition, creditors receiving equity would be effectively subordinated to all creditors of the 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 or junior to such obligations are not written down or converted.

***Substantial changes in regulation may adversely affect UBS AG's businesses and its ability to execute its strategic plans***

UBS AG is subject to significant new regulatory requirements, including recovery and resolution planning, changes in capital and prudential standards, 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 centres. This could put Swiss banks, such as UBS AG, at a disadvantage when competing with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

UBS AG's implementation of additional regulatory requirements and changes in supervisory standards, as well as its compliance with existing laws and regulations, continue to receive heightened scrutiny from supervisors. If UBS AG does not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, it would likely be subject to further regulatory scrutiny as well as measures that might further constrain its strategic flexibility.

*Resolvability and resolution and recovery planning:* UBS AG has moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased its capital and funding costs and reduced operational flexibility. For example, UBS AG has transferred all of its US subsidiaries under a US intermediate holding company to meet US regulatory requirements, and has 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, particularly the transfer of operations to subsidiaries, require significant time and resources to implement, and create operational, capital, liquidity, funding and tax inefficiencies. In addition, they may increase UBS AG's aggregate credit exposure to counterparties as they transact with multiple entities within the Group. Furthermore, UBS AG's 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 UBS AG's operational flexibility and negatively affect its ability to benefit from synergies between business units and to distribute earnings to the Group.

Under the Swiss too-big-to-fail ("TBTF") framework, UBS is 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 UBS operates, it is 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 UBS produces 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 its business in that jurisdiction, or oblige it to hold higher amounts of capital or liquidity or to change its legal structure or business in order to remove the relevant impediments to resolution. In February 2020, FINMA published its assessment of the recovery and resolution plans and emergency plans for Swiss SRBs. FINMA confirmed that UBS's Swiss emergency plan is effective, subject to a further reduction of its joint and several liabilities. In addition, FINMA confirmed that UBS has completed important measures and made considerable progress with respect to its global resolvability. Refer to "Recovery and resolution" in the "Regulation and supervision" section of the Annual Report 2019 for more information regarding UBS's Swiss emergency plan.

*Capital and prudential standards:* As an internationally active Swiss systemically relevant bank (an "SRB"), UBS AG is subject to capital and total loss-absorbing capacity ("TLAC") requirements that are among the most stringent in the world. Moreover, many of UBS AG's subsidiaries must comply with minimum capital, liquidity and similar requirements and, as a result, UBS AG has contributed a

significant portion of its capital and provides 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.

UBS AG expects its risk-weighted assets ("**RWA**") to further increase as the effective date for capital standards promulgated by the Basel Committee on Banking Supervision (the "**BCBS**") draws nearer. However, in response to the economic disruption caused by the COVID-19 pandemic, the BCBS has delayed the implementation deadline of Basel III rules by one year, to 1 January 2023. The accompanying transitional arrangement for the output floor has also been extended by one year, to 1 January 2028. Separately, the BCBS and the International Organization of Securities Commissions (IOSCO) have extended the final two implementation phases of the framework for margin requirements for non-centrally cleared derivatives by one year, to 1 September 2022. In addition, the Board of Governors of the Federal Reserve System had adopted two proposals previously regarding certain capital and liquidity requirements and enhanced prudential standards applicable to foreign banking organisations ("**FBOs**") with significant US operations. Under the proposal, it is expected that UBS Americas Holding LLC would continue to be subject to annual assessments of its capital plan through the Comprehensive Capital Analysis and Review ("**CCAR**") process, a supplementary leverage ratio, newly applicable liquidity coverage ratio requirements and new net stable funding ratio requirements. These additional increases in capital and liquidity standards could significantly curtail UBS AG's ability to pursue strategic opportunities and to distribute risk.

*Market regulation and fiduciary standards:* UBS AG's 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, the SEC has adopted a new Regulation Best Interest that is intended to enhance and clarify the duties of brokers and investment advisers to retail customers. Regulation Best Interest will apply to a large portion of Global Wealth Management's business in the US, and UBS AG will likely be required to materially change business processes, policies and the terms on which it interacts with these clients in order to comply with these rules.

Previously, UBS AG has incurred substantial costs in implementing a compliance and monitoring framework in connection with the Volcker Rule under the Dodd–Frank Act and has modified its business activities both inside and outside the US to conform to the Volcker Rule's activity limitations. In 2019, US regulators have adopted amendments (the "**2019 Final Rule**") to their regulations implementing the Volcker Rule prohibitions on proprietary trading and limitations on covered fund activities. The amendments were effective as of 1 January 2020 and compliance is mandatory from 1 January 2021. UBS AG may incur additional costs in the short term to implement the changes to the operation of its Volcker compliance program, required by the 2019 Final Rule. However, these changes may reduce the long-term burden on UBS AG's operations. UBS AG may also become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations.

Some of the regulations applicable to UBS AG as a registered swap dealer with the Commodity Futures Trading Commission ("**CFTC**") in the US, and certain regulations that will be applicable when UBS AG registers as a security-based swap dealer with the US Securities and Exchange Commission (the "**SEC**"), apply to UBS AG globally, including those relating to swap data reporting, record-keeping, compliance and supervision. As a result, in some cases, US rules duplicate or may conflict with legal requirements applicable to UBS AG elsewhere, including in Switzerland, and may place it at a competitive disadvantage to firms that are not required to register in the US with the SEC or CFTC.

In many instances, UBS AG provides services on a cross-border basis, and it is therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonise the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect its 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 UBS AG's access to the market in those jurisdictions and may negatively influence its ability to act as a global firm. For example, the EU

declined to extend the equivalence determination for Swiss exchanges, which lapsed as of 30 June 2019. Reciprocally, the regulations that Switzerland adopted to prohibit trading of shares issued by Swiss incorporated companies on EU venues came into effect on 1 July 2019.

UBS AG 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 AG has implemented in response to these changes. Further changes in local tax laws or regulations and their enforcement, the implementation of cross-border tax information exchange regimes, national tax amnesty or enforcement programs or similar actions may affect UBS AG's clients' ability or willingness to do business with it and could result in additional cross-border outflows.

***UBS AG's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly***

UBS AG plans to operate with a CET1 capital ratio of around 13% and a CET1 leverage ratio of around 3.7%. UBS AG's ability to maintain these ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of its 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 UBS AG's businesses may be adversely affected by events arising from other 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 UBS AG's ability to achieve its capital returns target of a progressive cash dividend coupled with a share repurchase program.

Capital strength is a key component of UBS AG's business model. Capital strength enables UBS AG to grow its businesses, and absorb increases in regulatory and capital requirements. It reassures UBS AG's clients and stakeholders, forms the basis for its capital return policy and contributes to its credit ratings. UBS AG's 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 its control.

UBS AG's eligible capital may be reduced by losses recognised 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, 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 UBS AG's net defined benefit obligation recognised in other comprehensive income.

RWA are driven by UBS AG's business activities, by changes in the risk profile of its exposures, by changes in its 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. UBS AG has significantly reduced its 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, and 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 will take effect in 2023, could substantially increase UBS AG's 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 UBS AG's business even if it satisfies other risk-based capital requirements. UBS AG's 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 UBS AG's control.

***The effect of taxes on UBS AG's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets***

UBS AG's effective tax rate is highly sensitive to its performance, its expectation of future profitability and statutory tax rates. Based on prior years' tax losses, UBS AG has recognised deferred tax assets ("DTAs") reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If UBS AG's performance is expected to produce diminished taxable profit in future years, particularly in the US, it may be required to write down all or a portion of the currently recognised DTAs through the income statement in excess of anticipated amortisation. This would have the effect of increasing UBS AG's effective tax rate in the year in which any write-downs are taken. Conversely, if UBS AG expects the performance of entities in which it has unrecognised tax losses to improve, particularly in the US or the UK, it could potentially recognise additional DTAs. The effect of doing so would be to reduce UBS AG's effective tax rate in years in which additional DTAs are recognised and to increase its effective tax rate in future years. UBS AG's 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 ("TCJA") resulted in a USD 2.9 billion net write-down in the Group's DTAs in the fourth quarter of 2017.

UBS AG generally revalues its DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account its updated business plans. UBS AG considers the performance of its businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period and its 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.

UBS AG's results in past years have demonstrated that changes in the recognition of DTAs can have a very significant effect on its reported results. Any future change in the manner in which UBS AG remeasures DTAs could affect UBS AG's effective tax rate, particularly in the year in which the change is made.

UBS AG's 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 UBS AG 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 UBS AG's effective tax rate. In addition, tax laws or the tax authorities in countries where UBS AG has undertaken legal structure changes may prevent the transfer of tax losses incurred in one legal entity to newly organised or reorganised subsidiaries or affiliates or may impose limitations on the utilisation 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 utilise 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 UBS AG's 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 UBS AG is 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 its assessment of uncertain tax positions, could cause the amount of taxes it ultimately pays to materially differ from the amount accrued.

Refer to "Regulatory and legal developments" section of the Annual Report 2019 for more information.

***Discontinuance of, or changes to, benchmark rates may require adjustments to UBS AG's agreements with clients and other market participants, as well as to UBS AG's systems and processes***

Since April 2013, the UK Financial Conduct Authority (the "FCA") has regulated LIBOR, and regulators in other jurisdictions have increased oversight of other interbank offered rates ("IBORs") and similar benchmark rates. Efforts to transition from IBORs to alternative benchmark rates are underway in several

jurisdictions. The FCA has urged users to plan the transition to alternative reference rates ("**ARRs**"). The UK Prudential Regulation Authority (the "**PRA**") and the FCA have confirmed the end-of-2021 deadline for transitioning away from the London inter-bank offered rate ("**LIBOR**") for most currencies. The ICE Benchmark Administration ("**IBA**"), the FCA-regulated and authorized administrator of LIBOR, is consulting on the timing of the cessation of USD LIBOR. IBA expects that one-week and two-month USD LIBOR settings will cease by the end of 2021, and that the remaining USD LIBOR settings will cease by the end of June 2023. The UK Government announced that the FCA will be given additional powers to ensure a smooth wind-down of LIBOR and deal with certain legacy contracts that cannot easily transition from LIBOR. In October 2020, the International Swaps and Derivatives Association ("**ISDA**") launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, amending the ISDA standard definitions for interest-rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs. The changes came into effect on 25 January 2021 and, from that date, all new cleared and non-cleared derivatives between adhering parties that reference the definitions now include these fallbacks. UBS has adhered to the protocol.

UBS has a substantial number of contracts linked to IBORs. ARR's do not currently provide a term structure, which will require a change in the contractual terms of products currently indexed on terms other than overnight. In some cases, contracts may contain provisions intended to provide a fallback interest rate in the event of a brief unavailability of the relevant IBOR. These provisions may not be effective or may produce arbitrary results in the event of a permanent cessation of the relevant IBOR. In addition, numerous of UBS's internal systems, limits and processes make use of IBORs as reference rates. Transition to replacement reference rates is requiring significant investment and effort.

Refer to "*Developments related to the transition away from LIBOR*" in the "*Recent developments*" section of the Fourth Quarter 2020 Report for more information.

### **Strategy, management and operational risks**

#### ***UBS AG may not be successful in the ongoing execution of its strategic plans***

UBS AG has transformed its business to focus on its Global Wealth Management business and its universal bank in Switzerland, complemented by Asset Management and a significantly smaller and more capital-efficient Investment Bank; it has substantially reduced the risk-weighted assets and leverage ratio denominator usage in Group Functions; and made significant cost reductions. Risk remains that going forward UBS AG may not succeed in executing its strategy or achieving its 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 UBS AG to adapt its targets and ambitions in the past and it may need to do so again in the future.

To achieve its strategic plans, UBS AG expects to continue to make significant expenditures on technology and infrastructure to improve client experience, improve and further enable digital offerings and increase efficiency. UBS AG's investments in new technology may not fully achieve its objectives or improve its ability to attract and retain customers. In addition, UBS AG will likely 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. UBS AG may have to lower its prices, or risk losing customers as a result. UBS AG's ability to develop and implement competitive digitally enabled offerings and processes will be an important factor in its ability to compete.

As part of its strategy, UBS AG seeks to improve its operating efficiency, in part by controlling its costs. UBS AG may not be able to identify feasible cost reduction opportunities that are consistent with its business goals and cost reductions may be realised later or may be smaller than it anticipates. Higher temporary and permanent regulatory costs and higher business demand than anticipated have partly offset cost reductions and delayed the achievement of UBS AG's past cost reduction targets, and it could continue to be challenged in the execution of its ongoing efforts to improve operating efficiency.

Changes in UBS AG's workforce as a result of outsourcing, nearshoring, offshoring, insourcing or staff reductions may introduce new operational risks that, if not effectively addressed, could affect its ability to achieve cost and other benefits from such changes, or could result in operational losses.

As UBS AG implements effectiveness and efficiency programs, it may also experience unintended consequences, such as the unintended loss or degradation of capabilities that it needs in order to maintain its competitive position, achieve its targeted returns or meet existing or new regulatory requirements and expectations.

Refer to the "*Our strategy*" section of the Annual Report 2019 for more information.

### ***Operational risks affect UBS AG's business***

UBS AG's businesses depend on its 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 it is subject and to prevent, or promptly detect and stop, unauthorised, fictitious or fraudulent transactions. UBS AG also relies 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 UBS AG's or third-party systems could have an adverse effect on UBS AG. UBS AG's operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities – including those arising from process error, failed execution, misconduct, unauthorised 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 UBS AG's internal controls fail or prove ineffective in identifying and remedying these risks, it could suffer operational failures that might result in material losses, such as the substantial loss it incurred from the unauthorised trading incident announced in September 2011.

UBS AG uses automation as part of its efforts to improve efficiency, reduce the risk of error and improve its client experience. UBS AG intends 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.

UBS AG 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 UBS AG's employees, third-party service providers or other users. In addition to external attacks, UBS AG has experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of its data by employees and others. UBS AG may not be able to anticipate, detect or recognise threats to its systems or data and its preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding its preventative measures, UBS AG 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 UBS AG's systems or data could have significant negative consequences for it, including disruption of its operations, misappropriation of confidential information concerning it or its customers, damage to its systems, financial losses for it or its customers, violations of data privacy and similar laws, litigation exposure and damage to its reputation.

UBS AG is 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 UBS AG complies with applicable laws and regulations when it collects, uses and transfers personal information requires substantial resources and may affect the ways in which it conducts its business. In the event that UBS AG fails to comply with applicable laws, it may be exposed to regulatory fines and penalties and other sanctions. UBS AG may also incur such penalties if its 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 UBS AG's reputation and adversely affect its 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. UBS AG is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients under the laws of many of the countries in which it operates. UBS AG is 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. UBS AG has 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 UBS AG Group's US operations. UBS AG Group has undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for its programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of UBS AG Group's programs in these areas, could have serious consequences both from legal enforcement action and from damage to its reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals increase UBS AG Group's cost of monitoring and complying with sanctions requirements and increase the risk that it will not identify in a timely manner previously permissible client activity that is subject to a sanction.

As a result of new and changed regulatory requirements and the changes UBS AG has made in its legal structure, the volume, frequency and complexity of its regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding UBS AG's internal reporting and data aggregation, as well as management reporting. UBS AG has incurred and continues 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 UBS AG.

Certain types of operational control weaknesses and failures could also adversely affect UBS AG's ability to prepare and publish accurate and timely financial reports.

In addition, despite the contingency plans that UBS AG has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities in which it operates. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that UBS AG uses or that are used by third parties with whom it conducts business.

***UBS AG may not be successful in implementing changes in its 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 UBS AG's revenues than in the past, has put downward pressure on Global Wealth Management's margins.

As the discussion above indicates, UBS AG is exposed to possible outflows of client assets in its asset-gathering businesses and to changes affecting the profitability of Global Wealth Management, in particular. Initiatives that UBS may implement to overcome the effects of changes in the business environment on its 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 its balance sheet and capital optimisation program in 2015. There is no assurance that UBS AG will be successful in its efforts to offset the adverse effect of these or similar trends and developments.

***UBS AG may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees***

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS AG faces competition



at the level of local markets and individual business lines, and from global financial institutions that are comparable to it in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS AG expects these trends to continue and competition to increase. UBS AG's competitive strength and market position could be eroded if it is unable to identify market trends and developments, does not respond to such trends and developments by devising and implementing adequate business strategies, does not adequately develop or update its technology including its digital channels and tools, or is unable to attract or retain the qualified people needed.

The amount and structure of UBS AG's employee compensation is affected not only by its business results, but also by competitive factors and regulatory considerations.

In recent years, in response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of its staff with other stakeholders, UBS AG has 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. UBS AG has 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 UBS AG's ability to retain and attract key employees. The loss of key staff and the inability to attract qualified replacements could seriously compromise UBS AG's ability to execute its strategy and to successfully improve its operating and control environment, and could affect its business performance. Swiss law requires that shareholders approve the compensation of the Board of Directors (the "BoD") and the GEB each year. If UBS's shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on its ability to retain experienced directors and its senior management.

***UBS AG depends on its risk management and control processes to avoid or limit potential losses in its 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, UBS AG must balance the risks it takes against the returns generated. Therefore UBS AG must diligently identify, assess, manage and control its risks, not only in normal market conditions but also as they might develop under more extreme, stressed conditions, when concentrations of exposures can lead to severe losses.

As seen during the financial crisis of 2007–2009, UBS AG has not always been able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. UBS AG's risk measures, concentration controls and the dimensions in which it aggregated risk to identify correlated exposures proved inadequate in a historically severe deterioration in financial markets. As a result, UBS AG recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. UBS AG has substantially revised and strengthened its risk management and control framework and increased the capital that it holds relative to the risks that it takes. Nonetheless, UBS AG could suffer further losses in the future if, for example:

- (a) it does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- (b) its assessment of the risks identified, or its response to negative trends, proves to be untimely, inadequate, insufficient or incorrect;
- (c) markets move in ways that UBS AG does not expect – in terms of their speed, direction, severity or correlation – and its ability to manage risks in the resulting environment is, therefore, affected;
- (d) third parties to whom it has credit exposure or whose securities it holds are severely affected by events and it suffers defaults and impairments beyond the level implied by its risk assessment; or
- (e) collateral or other security provided by its counterparties proves inadequate to cover their obligations at the time of default.

UBS AG has exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although UBS AG believes this portfolio is prudently managed, it could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur. UBS AG also holds legacy risk positions, primarily in Group Functions, that, in many cases, are illiquid and may again deteriorate in value.

UBS AG also manages risk on behalf of its clients. The performance of assets UBS AG holds for its clients may be adversely affected by the same factors mentioned above. If clients suffer losses or the performance of their assets held with UBS AG is not in line with relevant benchmarks against which clients assess investment performance, UBS AG 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 UBS AG manages, 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 UBS AG's earnings.

***UBS AG's operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas Holding LLC, UBS Europe SE and other subsidiaries, which may be subject to restrictions***

UBS AG's ability to pay its obligations in the future may be affected by the level of funding, dividends and other distributions, if any, received from UBS Switzerland AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS 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 AG's direct and indirect subsidiaries, including UBS Switzerland AG, UBS Americas Holding LLC and UBS Europe SE, are subject to laws and regulations that restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS AG, or could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS AG or another member of the Group. For example, the US Comprehensive Capital Analysis and Review process requires that UBS's US intermediate holding company demonstrate that it can continue to meet minimum capital standards over a hypothetical nine-quarter severely adverse economic scenario. If it fails to meet the quantitative capital requirements, or the Federal Reserve Board's qualitative assessment of the capital planning process is adverse, UBS's US intermediate holding company would be prohibited from paying dividends or making distributions. Restrictions and regulatory actions of this kind could impede access to funds that UBS AG may need to meet its obligations. In addition, UBS AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganisation is subject to all prior claims of the subsidiary's creditors.

Furthermore, UBS AG may guarantee some of the payment obligations of certain of its subsidiaries from time to time. These guarantees may require UBS AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS AG is in need of liquidity to fund its own obligations.

***UBS AG's reputation is critical to its success***

UBS AG's reputation is critical to the success of its strategic plans, business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. UBS AG's reputation has been adversely affected by its losses during the financial crisis, investigations into its cross-border private banking services, criminal resolutions of LIBOR-related and foreign exchange matters, as well as other matters. UBS AG believes that reputational damage as a result of these events was an important factor in its loss of clients and client assets across its asset-gathering businesses. New events that cause reputational damage could have a material adverse effect on UBS AG's results of operation and financial condition, as well as its ability to achieve its strategic goals and financial targets.

### **Liquidity and funding risk**

#### ***Liquidity and funding management are critical to UBS AG's ongoing performance***

The viability of UBS AG's business depends on the availability of funding sources, and its success depends on its ability to obtain funding at times, in amounts, for tenors and at rates that enable it to efficiently support its asset base in all market conditions. UBS AG's 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 UBS AG's 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.

Moreover, more stringent capital and liquidity and funding requirements will likely lead to increased competition for both secured funding and deposits as a stable source of funding, and to higher funding costs. The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at UBS AG'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 UBS AG's cost of funding and could potentially increase the total amount of funding required, in the absence of other changes in its business.

Reductions in UBS AG's credit ratings may adversely affect the market value of the securities and other obligations and increase its 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 UBS AG to post additional collateral or make additional cash payments under trading agreements. UBS AG's credit ratings, together with its 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 its 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 UBS AG to maintain high levels of overall liquidity, limit its ability to optimise interest income and expense, make certain lines of business less attractive and reduce its overall ability to generate profits. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that UBS AG is not overly reliant on short-term funding and that it has 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 UBS AG's funding outflows would not exceed the assumed amounts."

2. The entirety of the risk factor titled "*Floating Rate Notes – Fallbacks*" is deleted and the following is inserted:

#### ***"Floating Rate Notes – Fallbacks and Benchmark Replacement***

Pursuant to the Terms and Conditions of the Notes, if the Reference Rate for any Floating Rate Notes (other than for SOFR Notes) does not appear on the Relevant Screen Page at the Relevant Time on any Interest Determination Date, the Rate of Interest applicable to the related Interest Period will be determined by the Calculation Agent by averaging quotes obtained from reference banks, if available, or, if no such quotes are available, by reference to the Rate of Interest determined as at the last preceding Interest Determination Date (the "**Fallback Mechanism**"). The application of the Fallback Mechanism to any such Floating Rate Notes may result in interest payments that are substantially lower than the payments of interest that would have been made if the relevant Reference Rate had appeared on the Relevant Screen Page.

If the relevant Final Terms specify that Condition 6(f) (*Benchmark Replacement for Floating Rate Notes (other than SOFR Notes)*) is applicable, notwithstanding the Fallback Mechanism in respect of the relevant Series of Floating Rate Notes (other than SOFR Notes), if the Issuer (in consultation with the Calculation Agent) determines that an event as set out in Condition 6(f) (*Benchmark Replacement for*

*Floating Rate Notes (other than SOFR Notes)*) has occurred in respect of the applicable Reference Rate (the "**Existing Reference Rate**"), then the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine, in its reasonable discretion, an alternative reference rate that has replaced the Existing Reference Rate in customary market usage or, if it determines that no such rate has replaced the Existing Reference Rate, such other rate that it reasonably determines is most comparable to the Existing Reference Rate in accordance with the terms of Condition 6(f)(A) (the "**Alternative Reference Rate**"). If the Issuer is not able to appoint an Independent Adviser, using its reasonable endeavours, then the Issuer (in consultation with the Calculation Agent) may make these determinations itself. Any such determination may also result in changes to, inter alia, the definitions of Day Count Fraction, Business Day and/or Interest Determination Date and any method for determining the Rate of Interest if such Alternative Reference Rate is unavailable on the relevant Interest Determination Date, which alternative method must be consistent with any Alternative Reference Rate that has broad market support.

Furthermore, if an Alternative Reference Rate is determined by an Independent Adviser or the Issuer in accordance with the terms of Condition 6(f) (*Benchmark Replacement for Floating Rate Notes (other than SOFR Notes)*), the Independent Adviser (in consultation with the Issuer) or the Issuer (following consultation with the Calculation Agent), as the case may be, may also determine whether to apply an adjustment spread (which spread may be positive or negative) or a formula or methodology for calculating such an adjustment spread, to such Alternative Reference Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Existing Reference Rate with the Alternative Reference Rate. If it has been determined that an event as set out in Condition 6(f) (*Benchmark Replacement for Floating Rate Notes (other than SOFR Notes)*) has occurred in respect of the Existing Reference Rate, but (i) the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Reference Rate, and (ii) the Issuer is unable or unwilling to determine the Alternative Reference Rate, the Rate of Interest for the Affected Interest Period will be determined by reference to the Rate of Interest determined as at the last preceding Interest Determination Date.

For SOFR Notes, if the Issuer or the SOFR Benchmark Replacement Agent (if any) determine that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred in respect of SOFR where the provisions of Condition 6(c)(B) apply, then the interest rate on Notes that have a Rate of Interest determined by reference to SOFR will no longer be determined by reference to SOFR, but instead will be determined by reference to a different rate, which will be a different benchmark than SOFR (a "**SOFR Benchmark Replacement**"), plus a spread adjustment (a "**SOFR Benchmark Replacement Adjustment**"), as further described in Condition 6(c) (*Interest - SOFR Notes*) of the Terms and Conditions of the Notes.

If a particular SOFR Benchmark Replacement or SOFR Benchmark Replacement Adjustment cannot be determined, then the next-available SOFR Benchmark Replacement or SOFR Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected, recommended or formulated by (i) the Relevant Governmental Body (such as the Alternative Reference Rates Committee of the Federal Reserve Bank of New York), (ii) the International Swaps and Derivatives Association, Inc. or (iii) in certain circumstances, the Issuer or the SOFR Benchmark Replacement Agent (if any). In addition, if the Issuer or the SOFR Benchmark Replacement Agent (if any) determine that (A) changes to the definitions of Business Day, Compounded Daily SOFR, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Period, Observation Look-Back Period, SOFR Observation Period, SOFR Reference Rate or U.S. Government Securities Business Day or (B) any other technical changes to any other provision applicable to SOFR Notes described in Condition 6, are necessary in order to implement the SOFR Benchmark Replacement, the terms of the Notes expressly authorise the Issuer to amend such definitions and other provisions without the consent or approval of the holders of the Notes. The determination of a SOFR Benchmark Replacement, the calculation of the interest rate on the Notes by reference to a SOFR Benchmark Replacement (including the application of a SOFR Benchmark Replacement Adjustment), any amendments to the provisions described in the Terms and Conditions of the Notes determined by the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, to be necessary in order to implement the SOFR Benchmark Replacement and any other determinations, decisions or elections that may be made under the terms of the Notes in connection with a SOFR Benchmark Transition Event could adversely affect the value of SOFR Notes, the return on such Notes and the price at which investors can sell such Notes.

Any determination, decision or election described above will be made in the sole discretion of the Issuer or the SOFR Benchmark Replacement Agent (if any). Any exercise of such discretion by the Issuer may present the Issuer with a conflict of interest. In addition, if an affiliate of the Issuer is appointed as the SOFR Benchmark Replacement Agent, any exercise of such discretion may present the Issuer or such affiliate with a conflict of interest.

In addition, (i) the composition and characteristics of the SOFR Benchmark Replacement will not be the same as those of SOFR, the SOFR Benchmark Replacement will not be the economic equivalent of SOFR, there can be no assurance that the SOFR Benchmark Replacement will perform in the same way as SOFR would have at any time and there is no guarantee that the SOFR Benchmark Replacement will be a comparable substitute for SOFR (each of which means that a SOFR Benchmark Transition Event could adversely affect the value of the relevant Notes that have a Rate of Interest determined by reference to SOFR, the return on such Notes and the price at which investors can sell the Notes), (ii) any failure of the SOFR Benchmark Replacement to gain market acceptance could adversely affect such Notes, (iii) the SOFR Benchmark Replacement may have a very limited history and the future performance of the SOFR Benchmark Replacement cannot be predicted based on historical performance, (iv) the secondary trading market for notes linked to the SOFR Benchmark Replacement may be limited and (v) the administrator of the SOFR Benchmark Replacement may make changes that could change the value of the SOFR Benchmark Replacement and has no obligation to consider the interests of holders of the Notes in doing so.

Any such consequences could have an adverse effect on the value and marketability of, and return on, such Notes.

More generally, any of the above mentioned changes or any other consequential changes to any "benchmark" on which interest payments under any Floating Rate Notes are based as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on such Notes."

3. The entirety of the risk factor titled "*The market continues to develop in relation to the use of the Secured Overnight Financing Rate as a reference rate*" is deleted and the following is inserted:

***"The market continues to develop in relation to the use of the Secured Overnight Financing Rate as a reference rate***

The Rate of Interest for a Series of SOFR Notes will be determined by reference to the Secured Overnight Financing Rate (for purposes of this risk factor, "SOFR"), which 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 collateralised by Treasury securities and a current preferred replacement rate to U.S. LIBOR. In addition to the daily SOFR, the Federal Reserve Bank of New York currently publishes compounded averages of the SOFR over rolling 30-, 90-, and 180-calendar day periods and a SOFR Index that allows for the calculation of compounded average rates over custom time periods. The Federal Reserve Bank of New York notes on its publication page for SOFR that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Investors in any such Notes should be aware that the market continues to develop in relation to SOFR as a reference rate in the debt capital markets and its adoption as an alternative to U.S. LIBOR. In particular, market participants and relevant working groups are exploring ARRs based on SOFR, including term SOFR reference rates (which seek to measure the market's forward expectation of an average SOFR rate over a designated term). The nascent development of SOFR rates as interest reference rates for use in the debt capital markets, as well as continued development of SOFR based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of SOFR Notes issued under the Programme.

In the case of any SOFR Notes, the Rate of Interest will be determined on the basis of Compounded Daily SOFR (as defined in the Terms and Conditions of the Notes). Additionally, if the relevant Final Terms specify that Index Determination is applicable, then the formula which will be used to determine the Rate of Interest for each Interest Period will reference the SOFR Index. Compounded Daily SOFR differs from U.S. LIBOR in a number of material respects. Investors in SOFR Notes should be aware that U.S. LIBOR and Compounded Daily SOFR may behave materially differently and that returns on investments in

SOFR Notes may differ depending on which methodology is applicable for the purpose of calculation of interest and the related fallbacks provided for in the Terms and Conditions of the Notes.

The use of SOFR as a reference rate continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can be given that any particular methodology, including the compounded daily approach in the Terms and Conditions of the Notes, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes and used in relation to SOFR Notes issued under the Programme or other debt instruments that reference SOFR. The Issuer may in the future also issue floating rate notes referencing SOFR that differ materially in terms of interest determination when compared with any previous SOFR Notes issued by it under the Programme. The development of SOFR as a reference rate, as well as continued development of SOFR-based rates for such markets, the market infrastructure for adopting such rates and a potential extension of the publication of U.S. LIBOR beyond the end of 2021, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SOFR Notes issued under the Programme from time to time.

Furthermore, the Rate of Interest on SOFR Notes is only capable of being determined at the end of the relevant Interest Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in SOFR Notes to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their information technology systems, both of which could adversely impact the liquidity of such Notes.

In addition, the manner of adoption or application of SOFR reference rates in the debt capital markets may differ materially when compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of SOFR Notes.

Since SOFR is relatively new market index, SOFR Notes may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if SOFR does not prove to be widely used in securities like the SOFR Notes, the trading price of such SOFR Notes may be lower than those of Notes linked to indices that are more widely used. Investors in SOFR Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. There can also be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SOFR Notes. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR Notes and the trading prices of such Notes.

The Federal Reserve Bank of New York (or a successor), as administrator of SOFR and/or SOFR Index, may make methodological or other changes that could change the value of SOFR and/or SOFR Index, including changes related to the method by which SOFR and/or SOFR Index is calculated, eligibility criteria applicable to the transactions used to calculate SOFR and/or SOFR Index, or timing related to the publication of SOFR and/or SOFR Index. In addition, the administrator may alter, discontinue or suspend the calculation or dissemination of SOFR and/or SOFR Index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising, suspending or discontinuing SOFR and/or SOFR Index."

## AMENDMENTS TO THE "GENERAL TERMS AND CONDITIONS" SECTION

In the "General Terms and Conditions" section on page 57-97 inclusive of the Base Prospectus/Base Listing Particulars is deleted and the following is inserted:

1. The definition of "**Adjustment Spread**" is deleted and the following is inserted:

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

2. The definition of "Interest Period" is deleted and the following is inserted:

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date; **provided, however, that**, in the case of SOFR Notes only, in the case of any Interest Period during which any such Notes become due and payable on a date other than an Interest Payment Date, in respect of such Notes that become due and payable only, such Interest Period will end on (but exclude) such date on which such Notes have become due and payable.

3. The definition of "Reference Rate" is deleted and the following is inserted:

"**Reference Rate**" means BBSW, CDOR, EURIBOR, HIBOR, JPY TSR, LIBOR, NIBOR, SHIBOR, SOR, Compounded Daily SOFR, STIBOR or U.S. Federal Funds Rate (in respect of the currency and period specified in the relevant Final Terms, if applicable) as specified in the relevant Final Terms.

4. The definition of "SOFR Notes" is deleted and the following is inserted:

"**SOFR Notes**" means Notes with respect to which the Reference Rate specified in the relevant Final Terms is "Compounded Daily SOFR".

5. Condition 6(c) (*Interest – SOFR Notes*) is deleted and the following is inserted:

"(c) *Interest – SOFR Notes*

- (A) For the purposes of this Condition 6(c):

"**Corresponding Tenor**" means, with respect to a SOFR Benchmark Replacement, a tenor (including overnight) having approximately the same length (disregarding any applicable Business Day Convention) as the applicable tenor for the then-current SOFR Benchmark;

"**ISDA Fallback Adjustment**" means, with respect to any ISDA Fallback Rate, the spread adjustment, which may be a positive or negative value or zero, that would be applied to such ISDA Fallback Rate in the case of derivative transactions referencing the ISDA Definitions which will be effective upon the occurrence of an index cessation event with respect to the then-current SOFR Benchmark for the applicable tenor;

"**ISDA Fallback Rate**" means, with respect to the then-current SOFR Benchmark, the rate that would apply for derivative transactions referencing the ISDA Definitions which will be effective upon the occurrence of an index cessation date with respect to the SOFR Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**New York Federal Reserve's Website**" means the website of the Federal Reserve Bank of New York, which is currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

"**Observation Look-Back Period**" means the period specified as such in the applicable Final Terms;

"**p**" means the number of U.S. Government Securities Business Days included in the Observation Look-Back Period;

**"Relevant Governmental Body"** means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto;

**"SOFR"** means, in respect of 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 Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate);

**"SOFR Benchmark"** means SOFR, *provided that* if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to SOFR or such other then-current SOFR Benchmark, then SOFR Benchmark means the applicable SOFR Benchmark Replacement;

**"SOFR Benchmark Replacement"** means, with respect to the then-current SOFR Benchmark, the first alternative set forth in the order presented below that can be determined by the Issuer or the SOFR Benchmark Replacement Agent, if any, as of the SOFR Benchmark Replacement Date with respect to the then-current SOFR Benchmark:

- (1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current SOFR Benchmark for the applicable Corresponding Tenor and (b) the SOFR Benchmark Replacement Adjustment; or
- (2) the sum of (a) the ISDA Fallback Rate and (b) the SOFR Benchmark Replacement Adjustment;
- (3) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or the SOFR Benchmark Replacement Agent, if any, as the replacement for the then-current SOFR Benchmark for the applicable Corresponding Tenor, *provided that*, (i) if the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, determine that there is an industry-accepted replacement rate of interest for the then-current SOFR Benchmark for U.S. dollar-denominated floating rate notes at such time, it shall select such industry-accepted rate, and (ii) otherwise, it shall select such rate of interest that it has determined is most comparable to the then-current SOFR Benchmark, and (b) the SOFR Benchmark Replacement Adjustment;

**"SOFR Benchmark Replacement Adjustment"** means, with respect to any SOFR Benchmark Replacement, the first alternative set forth in the order below that can be determined by the Issuer or the SOFR Benchmark Replacement Agent, if any, as of the SOFR Benchmark Replacement Date with respect to the then-current SOFR Benchmark:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, which may be a positive or negative value or zero, that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted SOFR Benchmark Replacement;
- (2) if the applicable Unadjusted SOFR Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment;
- (3) the spread adjustment, which may be a positive or negative value or zero, that has been selected by the Issuer or the SOFR Benchmark Replacement Agent, if any, to be applied to the applicable Unadjusted SOFR Benchmark Replacement in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the then-current SOFR Benchmark with such Unadjusted SOFR Benchmark Replacement for the purposes of determining the SOFR Reference Rate, which spread adjustment shall be consistent with any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, applied to such Unadjusted SOFR Benchmark Replacement where it has replaced the then-current SOFR Benchmark for U.S. dollar denominated floating rate notes at such time;

**"SOFR Benchmark Replacement Agent"** means any affiliate of the Issuer or such other person that has been appointed by the Issuer as SOFR Benchmark Replacement Agent experienced in the calculations and determinations that may be made by the SOFR Benchmark Replacement Agent



described in this Condition 6(c), so long as such affiliate or other person is a leading bank or other financial institution that is experienced in such calculations or determinations;

**"SOFR Benchmark Replacement Date"** means, with respect to the then-current SOFR Benchmark, the earliest to occur of the following events with respect thereto:

- (1) in the case of paragraph (1) or (2) of the definition of SOFR Benchmark Transition Event, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the SOFR Benchmark permanently or indefinitely ceases to provide the SOFR Benchmark; or
- (2) in the case of paragraph (3) of the definition of SOFR Benchmark Transition Event, the date of the public statement or publication of information referenced therein.

If the event giving rise to the SOFR Benchmark Replacement Date occurs on the same day as, but earlier than, the Specified Time in respect of any determination, the SOFR Benchmark Replacement Date will be deemed to have occurred prior to the Specified Time for such determination;

**"SOFR Benchmark Transition Event"** means, with respect to the then-current SOFR Benchmark, the occurrence of one or more of the following events with respect thereto:

- (1) a public statement or publication of information by or on behalf of the administrator of the SOFR Benchmark announcing that such administrator has ceased or will cease to provide the SOFR Benchmark, permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the SOFR Benchmark;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark, the central bank for the currency of the SOFR Benchmark, an insolvency official with jurisdiction over the administrator for the SOFR Benchmark, a resolution authority with jurisdiction over the administrator for the SOFR Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the SOFR Benchmark, which states that the administrator of the SOFR Benchmark has ceased or will cease to provide the SOFR Benchmark permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the SOFR Benchmark; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark announcing that the SOFR Benchmark is no longer representative;

**"SOFR Index"** means, in respect of any U.S. Government Securities Business Day, the value of the SOFR Index published for such U.S. Government Securities Business Day as such value appears on the by the Relevant Governmental Body as such index appears New York Federal Reserve's Website at the Specified Time on such U.S. Government Securities Business Day;

**"SOFR Observation Period"** means the period from (and including) the date falling p U.S. Government Securities Business Days prior to the first day of the relevant Interest Period to (but excluding) the date falling p U.S. Government Securities Business Days prior to the last day of such Interest Period (but which last day is by definition excluded from such Interest Period);

**"SOFR Reference Rate"** means, in respect of any U.S. Government Securities Business Day:

- (1) a rate equal to SOFR for such U.S. Government Securities Business Day appearing on the New York Federal Reserve's Website on or about the Specified Time on the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day; or
- (2) if SOFR in respect of such U.S. Government Securities Business Day does not appear as specified in paragraph (1) above, unless the Issuer or the SOFR Benchmark Replacement Agent, if any, determines that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to SOFR on or prior to the Specified Time on the

U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day, SOFR in respect of the last U.S. Government Securities Business Day for which such rate was published on the New York Federal Reserve's Website; or

- (3) if SOFR in respect of such U.S. Government Securities Business Day does not appear as specified in paragraph (1) above and the Issuer or the SOFR Benchmark Replacement Agent, if any, determines that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to the then-current SOFR Benchmark on or prior to the Specified Time on the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day (or, if the then-current SOFR Benchmark is not SOFR, on or prior to the Specified Time on the Relevant Date), then (subject to the subsequent operation of this paragraph (3)) from (and including) the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day (or the Relevant Date, as applicable) (the "**Affected Day**"), the SOFR Reference Rate shall mean, in respect of any U.S. Government Securities Business Day, the applicable SOFR Benchmark Replacement for such U.S. Government Securities Business Day appearing on, or obtained from, the Relevant Source at the Specified Time on the Relevant Date.

For the avoidance of doubt, U.S. Bank National Association, unless it has agreed in writing to be the Calculation Agent or SOFR Benchmark Replacement Agent for any SOFR Notes, will not be responsible for (i) determining the SOFR, the SOFR Reference Rate, any rate related to SOFR or any other rate or any successor or replacement rate or any changes related to SOFR in connection with any of the foregoing, (ii) monitoring, determining or verifying the unavailability or cessation of SOFR or the SOFR Reference Rate, and shall not have any liability for the failure of any party to set such rate;

**"Specified Time"** means 3:00 p.m. New York City time or such other time as is specified in the applicable Final Terms;

**"Unadjusted SOFR Benchmark Replacement"** means the SOFR Benchmark Replacement excluding the SOFR Benchmark Replacement Adjustment; and

**"U.S. Government Securities Business Day"** means any day, except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association or any successor organisation recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

#### *Compounded Daily SOFR – Non-Index Determination*

- (B) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Reference Rate is Compounded Daily SOFR and either (i) Index Determination is specified as being not applicable in the applicable Final Terms or (ii) this Condition 6(c)(B) applies pursuant to the proviso to the definition of "Compounded Daily SOFR" in Condition 6(c)(E), the Rate of Interest for each Interest Period will, subject to Condition 6(j) (*Maximum or Minimum Rate of Interest*) and subject as provided below, be Compounded Daily SOFR as defined in this paragraph (B) for such Interest Period plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent.

**"Compounded Daily SOFR"** means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the SOFR Observation Period corresponding to such Interest Period (with the SOFR Reference Rate as the reference rate for the calculation of interest) as calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

**"d"** means the number of calendar days in the relevant SOFR Observation Period;

"**d<sub>0</sub>**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers from 1 to **d<sub>0</sub>**, each representing the relevant U.S. Government Securities Business Days in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant SOFR Observation Period;

"**n<sub>i</sub>**" means, for any U.S. Government Securities Business Day **i** in the relevant SOFR Observation Period, the number of calendar days from (and including) such U.S. Government Securities Business Day **i** up to but excluding the following U.S. Government Securities Business Day; and

"**SOFR<sub>i</sub>**" means, in respect of any U.S. Government Securities Business Day **i** in the relevant SOFR Observation Period, SOFR in respect of such U.S. Government Securities Business Day **i**.

- (C) If a SOFR Benchmark Replacement is required at any time to be used pursuant to paragraph (2) of the definition of SOFR Reference Rate, then in connection with determining the SOFR Benchmark Replacement:
- (I) the Issuer or the SOFR Benchmark Replacement Agent, as applicable, shall also determine the method for determining the rate described in sub-paragraph (a) of paragraph (1), (2) or (3) of the definition of SOFR Benchmark Replacement, as applicable (including (i) the page, section or other part of a particular information service on or source from which such rate appears or is obtained (the "**Relevant Source**"), (ii) the time at which such rate appears on, or is obtained from, the Relevant Source (the "**Alternative Specified Time**"), (iii) the day on which such rate will appear on, or is obtained from, the Relevant Source in respect of each U.S. Government Securities Business Day (the "**Relevant Date**"), and (iv) any alternative method for determining such rate if it is unavailable at the Alternative Specified Time on the applicable Relevant Date), which method shall be consistent with industry-accepted practices for such rate;
  - (II) from (and including) the Affected Day, references to the Specified Time shall be deemed to be references to the Alternative Specified Time;
  - (III) if the Issuer or the SOFR Benchmark Replacement Agent, as applicable, determines that (i) changes to the definitions of Business Day, Compounded Daily SOFR, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Period, Observation Look-Back Period, SOFR Observation Period, SOFR Reference Rate or U.S. Government Securities Business Day or (ii) any other technical changes to any other provision applicable to SOFR Notes described in this Condition 6, are necessary in order to implement the SOFR Benchmark Replacement (including any alternative method described in sub-paragraph (iv) of paragraph (I) above) as the SOFR Benchmark in a manner substantially consistent with market practice (or, if the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, decide that adoption of any portion of such market practice is not administratively feasible or if the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, determine that no market practice for use of the SOFR Benchmark Replacement exists, in such other manner as the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, determines is reasonably necessary), such definitions or other provisions will be amended to reflect such changes as contemplated in paragraph (b) of Condition 14 (*Meetings of Noteholders and Modifications of Terms and Conditions; Substitution*); and
  - (IV) the Issuer will give notice or will procure that notice is given as soon as practicable to the Calculation Agent, and the relevant Agent (and in the case of Registered Notes, the relevant Registrar) and to the Noteholders in accordance with Condition 13 (*Notices*), specifying the SOFR Benchmark Replacement, as well as the details described above and the amendments implemented pursuant to paragraph (b) of Condition 14 (*Meetings of Noteholders and Modifications of Terms and Conditions; Substitution*) as contemplated in paragraph (III) above.
- (D) Notwithstanding the other provisions of this Condition 6(c), if the Issuer has appointed a SOFR Benchmark Replacement Agent and such SOFR Benchmark Replacement Agent is unable to determine whether a SOFR Benchmark Transition Event has occurred or, following the occurrence of a SOFR

Benchmark Transition Event, has not selected the SOFR Benchmark Replacement as of the related SOFR Benchmark Replacement Date, then, in such case, the Issuer shall make such determination or select the SOFR Benchmark Replacement, as the case may be.

The Issuer may elect, but is not required, to appoint a SOFR Benchmark Replacement Agent at any time. The Issuer will notify the Noteholders of any such appointment in accordance with Condition 13 (*Notices*).

Any determination, decision or election that may be made by the Issuer or the SOFR Benchmark Replacement Agent, if any, pursuant to this Condition 6(c) (including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event (including any determination that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to the then-current SOFR Benchmark), circumstance or date and any decision to take or refrain from taking any action or any selection) will be made in the sole discretion of the Issuer or the SOFR Benchmark Replacement Agent, as the case may be, acting in good faith and in a commercially reasonable manner and will, in the absence of manifest error, be final and binding on all parties. Neither the Calculation Agent nor the Paying Agents will be required to exercise discretion with respect to, or be responsible for, determining any substitute for any SOFR Benchmark.

#### *Compounded Daily SOFR – Index Determination*

- (E) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Reference Rate is Compounded Daily SOFR, and Index Determination is specified as being applicable in the applicable Final Terms, the Rate of Interest for each Interest Period will, subject to Condition 6(j) (*Maximum or Minimum Rate of Interest*) and subject as provided below, be Compounded Daily SOFR as defined in this paragraph (E) for such Interest Period plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SOFR**" means, with respect to an Interest Period, the rate determined by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left( \frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1 \right) \times \frac{360}{d}$$

where:

"**SOFR Index<sub>Start</sub>**" means the SOFR Index for the day which is p U.S. Government Securities Business Days preceding the first day of the relevant Interest Period;

"**SOFR Index<sub>End</sub>**" means the SOFR Index for the day which is p U.S. Government Securities Business Days preceding the last day of the relevant Interest Period; and

"**d**" means the number of calendar days in the relevant SOFR Observation Period,

***provided, however, that***, if the SOFR Index required to determine SOFR Index<sub>Start</sub> or SOFR Index<sub>End</sub> does not appear on the New York Federal Reserve's Website at the Specified Time on the relevant U.S. Government Securities Business Day, "Compounded Daily SOFR" for such Interest Period and each Interest Period thereafter will have the meaning given to such term, and will be determined in accordance with Condition 6(c)(B)."

4. Condition 6(g) (*Benchmark Replacement for SOFR Notes*) is deleted. The subsequent sub-conditions in Condition 6 are consequently deemed to be renumbered and updated accordingly, as are all references to such Conditions in the Base Prospectus/Base Listing Particulars.
5. Paragraph (b) of Condition 14 (*Meetings of Noteholders and Modifications of Terms and Conditions; Substitution*) is deleted and the following is inserted:

"(b) The Notes and the Terms and Conditions of the Notes may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error or, which may be necessary

or desirable to give effect to the provisions of paragraph (C) of Condition 6(c) (*Interest - SOFR Notes*) and of Condition 6(f) (*Benchmark Replacement for Floating Rate Notes (other than SOFR Notes)*). In addition, the parties to the Agency Agreement may agree without the consent of the Noteholders, Receiptholders or the Couponholders to any modification to the Agency Agreement which, in the reasonable opinion of such parties, is not materially prejudicial to the interest of the Noteholders or the Couponholders or which is of a formal, minor or technical nature or to any modification which is necessary, to correct a manifest error."

#### AMENDMENTS TO THE "**DOCUMENTS INCORPORATED BY REFERENCE**" SECTION

In the "*Documents Incorporated by Reference*" section on page 48-50 inclusive of the Base Prospectus/Base Listing Particulars, the following are added as documents incorporated in and taken to form part of the Base Prospectus and the Base Listing Particulars:

- (a) UBS Group AG's and UBS AG's submission on form 6-K dated 20 October 2020, containing the UBS Group AG third quarter 2020 financial report (the "**UBS Group Third Quarter 2020 Report**") (currently accessible at:
- (b) UBS AG's submission on form 6-K dated 23 October 2020, containing the third quarter 2020 financial report of UBS AG (the "**UBS AG Third Quarter 2020 Report**") (currently accessible at:
- (c) UBS Group AG's and UBS AG's submission on form 6-K dated 26 January 2021, containing the UBS fourth quarter 2020 financial report (the "**Fourth Quarter 2020 Report**") (currently accessible at:

#### AMENDMENTS TO THE "**DESCRIPTION OF UBS AG**" SECTION

The entirety of the "*Description of UBS AG*" section on pages 99-126 inclusive of the Base Prospectus/Base Listing Particulars is deleted and the following is inserted:

##### 1. **Overview**

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

On 31 December 2020, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.8%, the CET1 leverage ratio was 3.85% (CET1 leverage ratio with temporary FINMA exemption was 4.23%)<sup>1</sup>, the total loss-absorbing capacity ratio was 35.2%, and the total loss-absorbing capacity leverage ratio was 9.8%.<sup>2</sup> On the same date, invested assets stood at USD 4,187 billion, equity attributable to shareholders was USD 59,517 million and market capitalisation was USD 50,013 million. On the same date, UBS employed 71,551 people<sup>3</sup>. This information has been extracted from the Fourth Quarter 2020 Report and therefore it is unaudited and subject to completion of year-end procedures. Refer to section 7.3 "*Interim Financial Information*" for more information.

On 31 December 2020, UBS AG consolidated CET1 capital ratio was 13.3%, the CET1 leverage ratio was 3.68% (CET1 leverage ratio with temporary FINMA exemption was 3.94%)<sup>1</sup>, the total loss-absorbing capacity ratio was 34.2%, and the total loss-absorbing capacity leverage ratio was 9.5%.<sup>2</sup> On the same date, invested assets stood at USD 4,187 billion and equity attributable to UBS AG shareholders was USD 57,825 million. On the same date, UBS AG Group employed 47,546 people<sup>3</sup>. This information has been extracted from the Fourth Quarter 2020 Report and therefore it is unaudited and subject to completion of year-end procedures. Refer to section 7.3 "*Interim Financial Information*" for more information.

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

An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.

No profit forecasts or estimates are included in this document.

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

## 2. **Information about the Issuer**

### 2.1 ***Corporate Information***

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

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

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

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

<sup>3</sup> Full-time equivalents.

1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

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

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

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

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

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

## 3. **Business Overview**

### 3.1 ***Organisational Structure of UBS AG***

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

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

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

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

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

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

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2019, including interests in significant subsidiaries, are discussed in "**Note 31 Interests in subsidiaries and other entities**" to the UBS Group AG's consolidated financial statements included in the Annual Report 2019 published on 3 March 2020.

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

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

### 3.2 ***Business Divisions and Group Functions***

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

#### 3.2.1. ***Global Wealth Management***

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

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

#### 3.2.2. ***Personal & Corporate Banking***

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



### 3.2.3. *Asset Management*

Asset Management is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and Global Wealth Management clients around the world. Asset Management offers clients a wide range of investment products and services in different asset classes in the form of segregated, pooled or advisory mandates, as well as registered investment funds in various jurisdictions. It covers the main asset management markets globally, and has a local presence grouped in four regions: the Americas; Europe, Middle East and Africa; Switzerland; and Asia Pacific.

### 3.2.4. *Investment Bank*

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

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

### 3.2.5. *Group Functions*

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

## 3.3 ***Competition***

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

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

### 3.4 **Recent Developments**

#### 3.4.1. *UBS AG consolidated key figures*

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2019, 2018 and 2017 from the Annual Report 2019, except where noted. The selected consolidated financial information included in the table below for the year ended 31 December 2020 was derived from the Fourth Quarter 2020 Report, which contains selected unaudited interim consolidated financial information of UBS AG.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). In preparing the unaudited financial information included in the Fourth Quarter 2020 Report, the same accounting policies and methods of computation have been applied as described in the UBS AG consolidated financial statements within the Annual Report 2019, except for the changes described in "Note 1 Basis of accounting" in the "Consolidated financial statements" sections of UBS AG's first, second and third quarter 2020 reports. UBS AG has not finalized its annual report 2020 and its independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the UBS AG financial information available in the Fourth Quarter 2020 Report is subject to completion of year-end procedures, which may result in changes to that information.

Information for the years ended 31 December 2019, 2018 and 2017 which is indicated as being unaudited in the table below was included in the Annual Report 2019, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2019 and the Fourth Quarter 2020 Report are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below.

	As of or for the year ended	As of or for the year ended		
<i>USD million, except where indicated</i>	31.12.20	31.12.19	31.12.18	31.12.17
	<i>unaudited</i>	<i>audited, except where indicated</i>		
<b>Results</b>				
<b>Income statement</b>				
Operating income	32,780	29,307	30,642	30,044
Net interest income <sup>1</sup>	-	4,415	4,971	6,021
Net fee and commission income <sup>1</sup>	-	17,460	17,930	17,550
Credit loss (expense) / recovery <sup>1</sup>	-	(78)	(117)	(131)
Other net income from financial instruments measured at fair value through profit or loss <sup>1</sup>	-	6,833	6,953	5,640
Operating expenses	25,009	24,138	25,184	24,969
Operating profit / (loss) before tax	7,770	5,169	5,458	5,076
Net profit / (loss) attributable to shareholders	6,267	3,965	4,107	758
<b>Balance sheet<sup>2</sup></b>				
Total assets <sup>3</sup>	1,125,327	971,927*	958,066*	940,020
Total financial liabilities measured at amortized cost <sup>1</sup>	-	617,429	612,174	660,498
<i>of which: customer deposits <sup>1</sup></i>	-	450,591	421,986	423,058
<i>of which: debt issued measured at amortized cost <sup>1</sup></i>	-	62,835	91,245	107,458
<i>of which: subordinated debt <sup>1</sup></i>	-	7,431	7,511	9,217
Total financial liabilities measured at fair value through profit or loss <sup>1</sup>	-	291,452	283,717	217,814

<i>of which: debt issued designated at fair value</i> <sup>1</sup>	-	66,592	57,031	50,782
Loans and advances to customers <sup>1</sup>	-	327,992	321,482	328,952
Total equity <sup>1, 3</sup>	-	53,896*	52,400*	52,046
Equity attributable to shareholders <sup>3</sup>	57,825	53,722*	52,224*	51,987
<b>Profitability and growth</b>				
Return on equity (%) <sup>3, 4</sup>	11.1	7.4*	7.9*	1.4*
Return on tangible equity (%) <sup>3, 5</sup>	12.5	8.5*	9.1*	1.6*
Return on common equity tier 1 capital (%) <sup>3, 6</sup>	16.8	11.3*	11.9*	2.3*
Return on risk-weighted assets, gross (%) <sup>7</sup>	11.9	11.2*	12.0*	12.8*
Return on leverage ratio denominator, gross (%) <sup>3, 8</sup>	3.4	3.2*	3.4*	3.4*
Cost / income ratio (%) <sup>9</sup>	74.7	82.1*	81.9*	82.7*
Net profit growth (%) <sup>10</sup>	58.1	(3.4)*	441.9*	(77.4)*
<b>Resources</b>				
Common equity tier 1 capital <sup>3, 11, 12</sup>	38,192	35,233*	34,562*	34,100*
Risk-weighted assets <sup>11</sup>	286,743	257,831*	262,840*	242,725*
Common equity tier 1 capital ratio (%) <sup>3, 11</sup>	13.3	13.7*	13.2*	14.0*
Going concern capital ratio (%) <sup>11</sup>	18.4	18.3*	16.1*	15.6*
Total loss-absorbing capacity ratio (%) <sup>11</sup>	34.2	33.9*	31.3*	31.4*
Leverage ratio denominator <sup>3, 11</sup>	1,036,771	911,228*	904,455*	910,133*
Leverage ratio denominator (with temporary FINMA exemption) <sup>13</sup>	969,396	-	-	-
Common equity tier 1 leverage ratio (%) <sup>11</sup>	3.68	3.87*	3.82*	3.75*
Common equity tier 1 leverage ratio (%) (with temporary FINMA exemption) <sup>13</sup>	3.94	-	-	-
Going concern leverage ratio (%) <sup>11</sup>	5.1	5.2*	4.7*	4.2*
Going concern leverage ratio (%) (with temporary FINMA exemption) <sup>13</sup>	5.4	-	-	-
Total loss-absorbing capacity leverage ratio (%) <sup>11</sup>	9.5	9.6*	9.1*	8.4*
<b>Other</b>				
Invested assets (USD billion) <sup>14</sup>	4,187	3,607	3,101	3,262
Personnel (full-time equivalents)	47,546	47,005*	47,643*	46,009*

\* unaudited

<sup>1</sup> The information for the full year 2020 will only be available with the publication of the UBS Group AG and UBS AG annual report 2020 on 5 March 2021.

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

<sup>3</sup> During the third quarter of 2020, UBS AG restated its balance sheet and statement of changes in equity as of 1 January 2018 to correct a USD 43 million liability understatement in connection with a legacy Global Wealth Management deferred compensation plan. As a result, comparative information for 31 December 2018 and 31 December 2019 has been restated. Refer to the "Recent developments" and "Consolidated financial statements" sections of the UBS Group Third Quarter 2020 Report and the UBS AG Third Quarter 2020 Report, respectively, for more information.

<sup>4</sup> Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.

<sup>5</sup> Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. Effective 1 January 2019, the definition of the numerator for return on tangible equity has been revised to align it with the numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information about the profitability of the business in relation to tangible equity.

<sup>6</sup> Calculated as net profit attributable to shareholders (annualized as applicable) divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.

<sup>7</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.

<sup>8</sup> The leverage ratio denominators used for the 2020 return calculation, do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. Refer to the "Recent developments" section of the UBS Group Second Quarter 2020 Report for more information. Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.

<sup>9</sup> Calculated as operating expenses divided by operating income before credit loss expense or recovery. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.

<sup>10</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period. This measure provides information about profit growth in comparison with the prior-year period.

<sup>11</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020.

<sup>12</sup> The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) was audited.

<sup>13</sup> Within the context of the current COVID-19 pandemic and related measures adopted by governments and regulators, FINMA has permitted banks to temporarily exclude central bank sight deposits from the leverage ratio denominator for the purpose of calculating going concern ratios until 1 January 2021. Refer to the "*Recent developments*" sections of the UBS Group Second Quarter 2020 Report and the "*Capital management*" sections of the Fourth Quarter 2020 Report for further details about the temporary FINMA exemption.

<sup>14</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.

### 3.4.2. *Business and strategic developments*

#### Effects of the COVID-19 pandemic on UBS's financial and capital position

Despite the uncertainties caused by the pandemic, the negative effects of the COVID-related crisis on UBS's financial and capital positions were limited in 2020. Although it experienced an increase in credit loss expenses under IFRS 9 in 2020, UBS maintained a strong capital and liquidity position in the face of the adverse economic developments, the sharp decline in market valuations and the increased levels of volatility. In the fourth quarter of 2020, credit loss expenses were at lower levels than those seen in prior quarters of 2020.

Overall, UBS expects elevated credit loss expenses to persist for at least as long as the COVID-19 containment measures continue, although at levels lower than in the first half of 2020. Due to the credit quality of its portfolio, UBS remains confident in its ability to maintain its overall strength and stability and to continue to support its clients.

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

*Credit loss expense / release* – Total net credit loss expenses were USD 66 million in the fourth quarter of 2020, reflecting a USD 33 million release of credit losses related to stage 1 and 2 positions and USD 99 million of credit loss expenses related to credit-impaired (stage 3) positions. Total net credit loss expenses included USD 64 million in the Investment Bank related to an exposure to a client in the travel sector that became impaired during the quarter.

*Overall banking products exposures* – Overall banking products exposure increased by USD 28 billion to USD 639 billion as of 31 December 2020. USD 18 billion is due to loans and advances to customers, USD 9 billion due to balances at central banks and USD 1 billion due to loans and advances to banks, with a partly offsetting USD 1 billion reduction in loan commitments and guarantees.

Credit-impaired gross exposure increased by USD 198 million to USD 3,778 million as of 31 December 2020. The increase stemmed mainly from the same Investment Bank counterparty in the travel sector mentioned in the credit loss expense / release section above.

In Personal & Corporate Banking, loans and advances to customers increased by USD 5.7 billion, mainly driven by the effects of the US dollar depreciating against the Swiss franc on a mostly Swiss franc-denominated portfolio. In Global Wealth Management, the USD 11.4 billion increase in loans and advances to customers was mainly driven by higher volumes of Lombard loans in the US, Switzerland and Asia Pacific. In the Investment Bank, loans and advances to customers increased by USD 1.2 billion.

Exposure related to traded products remained mostly unchanged, with an increase of USD 0.5 billion during the fourth quarter of 2020.

*Committed credit facilities* – Committed credit facilities and client drawings against these remained stable in the fourth quarter of 2020. UBS manages its credit risk on the aggregate of drawn and committed undrawn credit facilities and model full drawing of committed facilities in UBS's stress testing framework.

*Loan underwriting* – In the Investment Bank, new loan underwriting activity levels and distributions continued to be robust during the fourth quarter of 2020. As of 31 December 2020, mandated loan underwriting commitments totalled USD 4.9 billion on a notional basis (compared with USD 7.0 billion as of 30 September 2020). As of 31 December 2020, USD 0.5 billion of commitments had not yet been distributed as originally planned. Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter. Credit hedges are in place to help protect against fair value movements in the portfolio.

*Swiss mortgage portfolio* – Of UBS's total Swiss real estate portfolio of USD 170 billion, USD 153 billion related to Swiss residential real estate, USD 6 billion to commercial retail and office real estate, and a further USD 10 billion to industrial and other real estate. The residential portfolio consists of USD 127 billion for single-family homes (average LTV of 54%) and USD 26 billion in residential income-producing real estate (average LTV of 52%). In addition, UBS is carefully monitoring the level of risk in its Swiss commercial retail and office real estate portfolio (average LTV of 45%) and its resilience to the economic impact of COVID-19.

*Exposure to the Swiss economy and Swiss corporates* – Within Personal & Corporate Banking, risks related to UBS's exposures to certain industry sectors have increased due to the measures taken in relation to the COVID-19 pandemic. Industries in focus with a negative outlook include tourism and media. Retail; culture, sports and education; and watches remain in focus but to a lesser degree. UBS's exposure to the tourism sector (including hotels, restaurants and transport) totalled USD 2.1 billion as of 31 December 2020, with hotels accounting for USD 1.0 billion of this exposure. UBS's other exposures included: USD 1.7 billion to the retail sector; USD 1.0 billion to the culture, sports and education sector; USD 0.3 billion to the media sector; and USD 0.2 billion to the watch sector. Apart from a few large counterparties, UBS's exposures within these sectors are highly diversified across Switzerland.

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

#### Swiss COVID-19 loans

In March 2020, the Swiss Federal Council adopted provisional emergency legislation to provide Swiss companies with liquidity, which gave small and medium-sized entities (SMEs) access to government-guaranteed bank credit facilities. In December 2020, the Swiss Parliament approved the COVID-19 Joint and Several Guarantee Act, which became effective on 19 December 2020. This Act codified the measures adopted under emergency legislation into ordinary law and provides for regulation of the loan programs and guarantees over their life cycle. The new Act extends the standard amortization period of loans from five to eight years.

#### US CCAR and EU capital distributions

In December 2020, the Federal Reserve released the results of its second Comprehensive Capital Analysis and Review ("CCAR") of 2020. UBS Americas Holding LLC's projected stress capital ratios exceeded regulatory capital minima under the updated supervisory scenarios.

The Federal Reserve also maintained its limitations on capital distributions by supervised firms largely unchanged through the fourth quarter of 2020. As a result, UBS Americas Holding LLC could not distribute cash dividends on common equity in excess of the firm's average net income over the four preceding quarters.

After having extended its recommendation in July 2020 for banks to refrain from making capital distributions and carrying out share repurchases until 1 January 2021, the European Central Bank (the ECB) announced in December 2020 that EU banks under its supervision, including UBS Europe SE, should exercise extreme prudence with regard to dividends and share repurchases from 1 January until 30 September 2021.

#### Swiss Withholding Tax Act

Based on the results of a consultation that addressed amendments to the Withholding Tax Act, the Swiss Federal Council proposed in September 2020 to maintain the withholding tax on interest carried on bank accounts by natural persons with tax domicile in Switzerland and to

abolish the tax on all other interest payments. As the next step, the Federal Council will submit a dispatch to Parliament in the second quarter of 2021.

Furthermore, the Swiss Federal Council proposed to extend the current withholding tax exemption for total loss-absorbing capacity and additional tier 1 instruments from 2021 until the end of 2026. This extension will be subject to parliamentary debate in 2021.

#### NSFR implementation

In September 2020, the Swiss Federal Council adopted an amendment to the Liquidity Ordinance for the implementation of the net stable funding ratio ("NSFR"). The NSFR regulation was finalized in the fourth quarter of 2020 with the release of the revised FINMA liquidity circular. The NSFR will become effective on 1 July 2021 and UBS is on schedule to operationalize it. The overall effect of the NSFR on UBS upon implementation is expected to be limited.

In October 2020, the US banking regulators finalized the NSFR rule for supervised firms to ensure a minimum level of stable funding. The rule becomes effective as of 1 July 2021 and will require semi-annual disclosure from 1 January 2023. As a Category III firm under the Federal Reserve's Tailoring Rule (2019), UBS's intermediate holding company, UBS Americas Holding LLC, and its subsidiary bank, UBS Bank USA, will be subject to a NSFR requirement of 85%.

#### Brexit

Following the UK's withdrawal from the EU on 31 January 2020, the negotiation on the Trade and Cooperation Agreement, which governs the relationship between the EU and the UK on free trade in goods and mutual market access, among other matters, was finalized on 24 December 2020.

In September 2020, the European Commission adopted a temporary equivalence decision for UK central counterparties ("CCPs") for the purpose of facilitating derivatives clearing. The temporary equivalence decision, applicable from 1 January 2021 until 30 June 2022, does not require UBS Europe SE to migrate its exposures to an EU CCP before the end of the transition period.

In March 2019, UBS completed a business transfer and cross-border merger of UBS Limited and UBS Europe SE in order to continue serving EEA clients following the end of the transition period and continues to align its Investment Bank activities to respond to ongoing regulatory guidance.

#### Developments related to the transition away from LIBOR

The UK Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") have confirmed the end-of-2021 deadline for transitioning away from the London inter-bank offered rate ("LIBOR") for most currencies. The ICE Benchmark Administration ("IBA"), the FCA-regulated and authorized administrator of LIBOR, is consulting on the timing of the cessation of USD LIBOR. IBA expects that one-week and two-month USD LIBOR settings will cease by the end of 2021, and that the remaining USD LIBOR settings will cease by the end of June 2023. The UK Government announced that the FCA will be given additional powers to ensure a smooth wind-down of LIBOR and deal with certain legacy contracts that cannot easily transition from LIBOR.

In October 2020, the International Swaps and Derivatives Association ("ISDA") launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, amending the ISDA standard definitions for interest-rate derivatives to incorporate fallbacks for derivatives linked to certain inter-bank offered rates ("IBORs"). The changes came into effect on 25 January 2021 and, from that date, all new cleared and non-cleared derivatives between adhering parties that reference the definitions now include these fallbacks. UBS has adhered to the protocol.

#### Sale of wealth management business in Austria

In its continuing effort to focus on core markets in Europe, UBS signed an agreement in December 2020 to sell its domestic wealth management business in Austria to LGT. The

agreement includes the transition of employees, client relationships, products and services of the wealth management business of UBS Austria. The transaction is subject to customary closing conditions and is expected to close in the third quarter of 2021. UBS expects to record a pre-tax gain of approximately USD 0.1 billion upon closing of the transaction. UBS's asset management business in Austria is not part of this transaction.

### 3.5 ***Trend Information***

As indicated in the Fourth Quarter 2020 Report, investor sentiment improved in the fourth quarter of 2020, largely on the basis of the strong rebound in economic activity seen through the third quarter, combined with greater optimism regarding the availability and effective distribution of COVID-19 vaccines, as well as continued fiscal and monetary stimulus that contributed to generally more positive views on the timing and extent of a sustainable economic recovery. However, recent developments, including economic and political situations in some large economies and geopolitical tensions, have again raised questions around the shape and pace of the recovery. The growing numbers of COVID-19 infections and hospitalizations as well as lockdowns and similar measures imposed to control the pandemic add to existing concerns about the shape of the overall recovery and the severity and duration of the effects of the pandemic in certain economic sectors. In these uncertain times, UBS's clients particularly value expert guidance and UBS remains focused on supporting them with advice and solutions. UBS expects its revenues in the first quarter of 2021 to be positively influenced by seasonal factors such as higher client activity, compared with the fourth quarter of 2020. Higher asset prices should have a positive effect on recurring fee income in UBS's asset gathering businesses. However, the continued uncertainty in the environment could affect both asset prices and client activity. While supporting market sentiment, low and persistently negative interest rates and expectations of continuing easy monetary policy will remain headwinds to net interest income sequentially. With its balance sheet for all seasons and its diversified business model, UBS remains well positioned to drive sustainable long-term value for its clients and shareholders.

Refer to the "*Risk factors*" and the "*Recent Developments*" sections of this document for more information.

## 4. **Administrative, Management and Supervisory Bodies of UBS AG**

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

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

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

### 4.1 ***Board of Directors***

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

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

#### 4.1.1. *Members of the Board of Directors*

The current members of the BoD are listed below. In addition, the UBS announced that Beatrice Weder di Mauro has decided not to stand for re-election to the BoD, and that it intends to appoint Claudia Böckstiegel and Patrick Firmenich for election to the BoD at the next AGM.

<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal activities outside UBS AG</b>
Axel A. Weber  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2021	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Councils of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics, University of Zurich; member of the Trilateral Commission.
Jeremy Anderson  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Vice Chairman	2021	Vice-Chairman and Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
William C. Dudley  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Board of Trelia LLC; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee's Advisory Council.
Reto Francioni  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director, chair of the nomination committee); Chairman of the board of Swiss International Air Lines AG; board member of MedTech Innovation Partners AG; executive director and member of myTAMAR GmbH.
Fred Hu  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); member of the Board of Ant Group; board member of Industrial and Commercial Bank of China; board member of Hong Kong Exchanges and Clearing Ltd.; founder and chairman of Primavera Capital Group; board member of China Asset Management; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations.



<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal activities outside UBS AG</b>
Mark Hughes  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; member of the Board of Euronext N.V.; member of the Board of Veolia Environnement SA.
Julie G. Richardson  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Vereit, Inc. (chair of the compensation committee); member of the board of Datalog (chair of the audit committee).
Beatrice Weder di Mauro  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; professor of international economics at the Graduate Institute Geneva (IHEID); president of the Centre for Economic Policy Research in London; research professor and distinguished fellow at the Emerging Markets Institute at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; member of the Foundation Board of the International Center for Monetary and Banking Studies (ICMB); member of the Franco-German Council of Economic Experts; advisor to the Board of Directors of Unigestion.
Dieter Wemmer  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); member of the Berlin Center of Corporate Governance.
Jeanette Wong  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2021	Member of the Board of Directors of UBS Group AG; board member of EssilorLuxottica; board member of Jurong Town Corporation; board member of PSA International; board member of FFMC Holdings Pte. Ltd. and of Fullerton Fund Management Company Ltd.; member of the Management Advisory Board of NUS Business School; member of the Global Advisory Board, Asia, University of Chicago Booth School of Business; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.

#### *4.1.2. Organisational principles and structure*

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

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

## 4.2 *Executive Board ("EB")*

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

### 4.2.1 *Members of the Executive Board*

The current members of the EB are listed below.

<b>Member and business address</b>	<b>Function</b>	<b>Current principal activities outside UBS AG</b>
Ralph Hamers UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board, appointed Group Chief Executive Officer of UBS Group AG; Chairman of the UBS Optimus Foundation board; member of the Board of the Swiss-American Chamber of Commerce; member of the Institut International D'Etudes Bancaires; 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  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Markus U. Diethelm  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles; member of the New York State Council of Business Leaders in Support of Access to Justice.
Kirt Gardner  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Suni Harford  UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	President Asset Management	Member of the Executive Board, President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; member of the Leadership Council of the Bob Woodruff Foundation; member of the Board of UBS Optimus Foundation.
Robert Karofsky  UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG; president and board member of UBS Securities LLC; trustee of the UBS Americas Inc. Political Action Committee.

<b>Member and business address</b>	<b>Function</b>	<b>Current principal activities outside UBS AG</b>
Sabine Keller-Busse  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer and President Personal & Corporate Banking and President UBS Switzerland	Member of the Group Executive Board, Group Chief Operating Officer and President Personal & Corporate Banking and President UBS Switzerland; of UBS Group AG; president of the Executive Board of UBS Switzerland AG; member of the Supervisory Board of UBS Europe SE; board member of UBS Business Solutions AG; member of the Foundation Council of the UBS International Center of Economics in Society; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; board member of the University Hospital Zurich Foundation. Effective 1 February 2021.
Iqbal Khan  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management and President UBS Europe, Middle East and Africa	Member of the Executive Board, co-President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; board member of Room To Read Switzerland.
Edmund Koh  UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of two subcommittees 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; member of the Asian Bureau of Finance and Economic Research; member of the Board of Trustees of the Wealth Management Institute, Singapore; board member of Next50 Limited; trustee of the Cultural Matching Fund, Singapore; board member of Medico Suites (S) Pte Ltd; board member of Medico Republic (S) Pte Ltd; Council member of the KidSTART program of Early Childhood Development Agency Singapore; member of University of Toronto's International Leadership Council for Asia.
Tom Naratil  UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultants for the College of Nursing at Villanova University.
Piero Novelli  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG.
Markus Ronner  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.

#### 4.3 **Potential Conflicts of Interest**

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

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

#### 5. **Auditors**

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

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

#### 6. **Major Shareholders of UBS AG**

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

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

##### 7.1 **Historical Annual Financial Information**

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

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

- (i) the following parts of the Annual Report 2019: the UBS AG consolidated financial statements, in particular to the Income statement on page 486, the Balance sheet on page 489, the Statement of changes in equity on pages 490-493 (inclusive), the Statement of cash flows on pages 495-496 (inclusive) and the Notes to the consolidated financial statements on pages 498-673 (inclusive); and
- (ii) the following parts of the Standalone Financial Statements 2019: the Income statement on page 2, the Balance sheet on pages 3-4, the Statement of proposed appropriation of total profit and dividend distribution on page 6, and the Notes to the UBS AG standalone financial statements

on pages 7-29 (inclusive).

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

- (i) the following parts of the Annual Report 2018: the UBS AG consolidated financial statements, in particular to the Income statement on page 508, the Balance sheet on page 511, the Statement of changes in equity on pages 512-515 (inclusive), the Statement of cash flows on pages 517-518 (inclusive) and the Notes to the consolidated financial statements on pages 519-706 (inclusive) ; and
- (ii) the following parts of the Standalone Financial Statements 2018: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of total profit / (loss) carried forward on page 5, and the Notes to the UBS AG standalone financial statements on pages 6-28 (inclusive).

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

## 7.2 ***Auditing of Historical Annual Financial Information***

The consolidated financial statements and the standalone financial statements of UBS AG for financial years 2019 and 2018 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 481-485 of the Annual Report 2019 and on page 506 of the Annual Report 2018. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 30-33 (inclusive) of the Standalone Financial Statements 2019 and on pages 29-33 (inclusive) of the Standalone Financial Statements 2018.

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

## 7.3 ***Interim Financial Information***

Reference is also made to (i) the UBS Group AG first quarter 2020 report published on 28 April 2020 ("**UBS Group First Quarter 2020 Report**"), and the UBS AG first quarter 2020 report published on 4 May 2020 ("**UBS AG First Quarter 2020 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2020; to (ii) the UBS Group AG second quarter 2020 report published on 21 July 2020 ("**UBS Group Second Quarter 2020 Report**") and the UBS AG second quarter 2020 report, published on 24 July 2020 ("**UBS AG Second Quarter 2020 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2020; to (iii) the UBS Group AG third quarter 2020 report published on 20 October 2020 ("**UBS Group Third Quarter 2020 Report**") and the UBS AG third quarter 2020 report, published on 23 October 2020 ("**UBS AG Third Quarter 2020 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 September 2020; and to (iv) the Fourth Quarter 2020 Report, which contains information on the financial condition and results of operations of UBS Group AG and of UBS AG, as of and for the quarter and the year ended 31 December 2020.

The interim consolidated financial statements of UBS Group AG and UBS AG, contained in the first, second and third quarter 2020 financial reports of UBS Group AG and UBS AG, respectively, and the interim consolidated financial information contained in the Fourth Quarter 2020 Report are not audited.

#### 7.4 ***Incorporation by Reference***

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

#### 7.5 ***Litigation, Regulatory and Similar Matters***

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

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "*Provisions and contingent liabilities*" section of the Fourth Quarter 2020 Report. It is not practicable

to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("LIBOR"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

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

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

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

<i>USD million</i>	<b>Global Wealth Management</b>	<b>Personal &amp; Corporate Banking</b>	<b>Asset Management</b>	<b>Investme nt Bank</b>	<b>Group Functions</b>	<b>Total</b>
<b>Balance as of 31 December 2019</b>	782	113	0	255	1,325	2,475
<b>Balance as of 30 September 2020</b>	741	112	0	211	933	1,996
Increase in provisions recognized in the income statement	70	0	0	13	0	<b>83</b>
Release of provisions recognized in the income statement	(4)	0	0	0	0	<b>(4)</b>
Provisions used in conformity with designated purpose	(40)	(1)	0	(1)	(1)	<b>(43)</b>
Foreign currency translation / unwind of discount	22	5	0	5	0	<b>32</b>
<b>Balance as of 31 December 2020</b>	<b>789</b>	<b>115</b>	<b>0</b>	<b>227</b>	<b>932</b>	<b>2,063</b>

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

#### 1. *Inquiries regarding cross-border wealth management businesses*

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

investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court. On 26 July 2019, the Supreme Court reversed the decision of the Federal Administrative Court. In December 2019, the court released its written decision. The decision requires the FTA to obtain confirmation from the French authorities that transmitted data will be used only for the purposes stated in their request before transmitting any data. The stated purpose of the original request was to obtain information relating to taxes owed by account holders. Accordingly, any information transferred to the French authorities must not be passed to criminal authorities or used in connection with the ongoing case against UBS discussed in this item. In February 2020, the FTA ordered that UBS would not be granted party status in the French administrative assistance proceedings. UBS appealed this decision to the Federal Administrative Court. On 15 July, the Federal Administrative Court upheld the FTA's decision, holding that UBS will no longer have party status in these proceedings. The Swiss Federal Supreme Court has determined that it will not hear UBS's appeal of this decision.

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

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

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, UBS's balance sheet at 31 December 2020 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 549 million at 31 December 2020). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on UBS's balance sheet at 31 December 2020 reflects its best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("**inculpé**") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud.

UBS's balance sheet at 31 December 2020 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and



accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

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.

UBS's balance sheet at 31 December 2020 reflected a provision with respect to matters described in this item 2 in an amount that it believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. *Madoff*

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

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

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

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

4. *Puerto Rico*

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") 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 in relation to their examinations of UBS's operations.

Since that time UBS has received customer complaints and arbitrations with aggregate claimed damages of USD 3.4 billion, of which claims with aggregate claimed damages of USD 2.8 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint. 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. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters.

UBS's balance sheet at 31 December 2020 reflected provisions with respect to matters described in this item 4 in amounts that it believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

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

immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

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

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

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint. UBS and 11 other banks have reached an agreement with the plaintiffs to settle the class action for a total of USD 10 million. The court approved the settlement in November 2020.

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

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

*USD LIBOR class and individual actions in the US:* In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016

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

*Other benchmark class actions in the US:* In 2014, 2015 and 2017, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including 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. Defendants moved to dismiss the amended complaint in October 2020. In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs have appealed. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint following the dismissal, and the courts granted a renewed motion to dismiss in July 2019). Plaintiffs have appealed. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings. 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 are pending. Similar class actions have been filed concerning European government bonds and other government bonds.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 31 December 2020 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. *Swiss retrocessions*

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

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

UBS's balance sheet at 31 December 2020 reflected a provision with respect to matters described in this item 6 in an amount that it believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

The specific litigation, regulatory and other matters described above under items (1) to (6) include 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 as described in the **"Provisions and contingent liabilities"** section of the Fourth Quarter 2020 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

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

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

7.6. *Material Contracts*

No material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business, which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

7.7. ***Significant Changes in the Financial Position and Performance; Material Adverse Change in Prospects***

There has been no significant change in the financial position or financial performance of UBS AG Group since 31 December 2020, which is the end of the last financial period for which financial information has been published.

8. **Share Capital**

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

9. **Documents Available**

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

**AMENDMENTS TO THE "PRO FORMA FINAL TERMS" SECTION**

In the "Pro Forma Final Terms" section on pages 127-142 inclusive of the Base Prospectus/Base Listing Particulars:

1. The entirety of the legend titled "*PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS*" is deleted and replaced with the following:

**"[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]"

2. The entirety of the legend titled "*EU MiFID II product governance*" is deleted and the following is inserted:

**"[EU MiFID II product governance / [Retail investors, professional investors and eligible counterparties target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**") / MiFID II], **EITHER** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]<sup>4</sup>] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] [non-advised sales ][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]<sup>5</sup>. [*Consider any negative target market*]<sup>6</sup>. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].] / **[Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**") / MiFID II] and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]<sup>7</sup>. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR product governance / Retail investors, professional investors and eligible counterparties target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); **EITHER** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services] ] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] [non-advised sales ][and pure execution services]<sup>8</sup>], subject to the distributor's suitability and appropriateness obligations under COBS, as

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<sup>4</sup> This list may not be necessary (especially for non-complex Notes where all channels of distribution may be deemed appropriate) or, if this list is necessary, it may need to be amended to reflect the appropriate target market for the Notes being issued.

<sup>5</sup> This list may not be necessary (especially for non-complex Notes where all channels of distribution may be deemed appropriate) or, if this list is necessary, it may need to be amended to reflect the appropriate target market for the Notes being issued.

<sup>6</sup> To be considered on a case-by-case basis. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristics and objectives of clients which are [details to be inserted]."

<sup>7</sup> To be considered on a case-by-case basis. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristics and objectives of clients which are [details to be inserted]."

<sup>8</sup> This list may not be necessary (especially for non-complex Notes where all channels of distribution may be deemed appropriate) or, if this list is necessary, it may need to be amended to reflect the appropriate target market for the Notes being issued.

applicable]<sup>9</sup>. [*Consider any negative target market*]<sup>10</sup>. Any [distributor / person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable].] / [**Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*]<sup>11</sup> Any [distributor / person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]]"

3. The line "Interest Basis" in Part A is deleted and replaced with the following:

"Interest Basis: [•] per cent. Fixed Rate]

[BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY  
TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] /  
[Compounded Daily SOFR] / [STIBOR] / [U.S.  
Federal Funds Rate] +/- [•] per cent. Floating Rate]"

4. The line "Floating Rate Note Provisions (v)" in Part A is deleted and replaced with the following:

"(v) Calculation Agent responsible for Agent/[•]"  
calculating the Rate(s) of Interest  
and Interest Amount(s) and, if  
applicable, for the purposes of  
Condition 6(f) (*Benchmark  
Replacement for Floating Rate  
Notes (other than SOFR Notes)*):

5. The line "Floating Rate Note Provisions (vii)" in Part A is deleted and replaced with the following:

"(vii) if Screen Rate Determination

(a) Reference Rate: [BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY  
TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] /  
[Compounded Daily SOFR] / [STIBOR] / [U.S.  
Federal Funds Rate]

(b) Index Determination: [Applicable/Not Applicable]

<sup>9</sup> This list may not be necessary (especially for non-complex Notes where all channels of distribution may be deemed appropriate) or, if this list is necessary, it may need to be amended to reflect the appropriate target market for the Notes being issued.

<sup>10</sup> To be considered on a case-by-case basis. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristics and objectives of clients which are [details to be inserted]."

<sup>11</sup> To be considered on a case-by-case basis. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristics and objectives of clients which are [details to be inserted]."



- |     |                                 |   |
|-----|---------------------------------|---|
| (c) | Interest Determination Date(s): | [•]   |
| (d) | Relevant Screen Page:           | [[•]/Not Applicable]  |
| (e) | Specified Time:                 | [[•]/Not Applicable]  |
| (f) | Observation Look-Back Period:   | [[•] [U.S. Government Securities Business Days]/Not Applicable] |

*(Observation Look-Back Period to be agreed with the Calculation Agent)*

*(N.B. Include an Observation Look-Back Period where Index Determination is specified as being applicable in the applicable Final Terms, as well as where Index Determination is specified as not applicable, for the purposes of the fallback in Condition 6(c)(E))"*

6. The line "Benchmark Replacement" in Part A is deleted and replaced with the following:

"Benchmark Replacement (Condition 6(f) <i>(Benchmark Replacement for Floating Rate Notes (other than SOFR Notes))</i> ):	[Applicable/Not Applicable]  <i>(In the case of Fixed Rate Notes and SOFR Notes, please always select 'Not applicable')"</i>
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7. The line "Prohibition of sales to EEA and UK Retail Investors" in Part A is deleted and replaced with the following:

"Prohibition of Sales to EEA Retail Investors:	[Applicable]/[Not Applicable]  <i>(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)</i>
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Prohibition of Sales to UK Retail Investors:	[Applicable]/[Not Applicable]  <i>(If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)"</i>
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8. In Part B, in the sub-section "Ratings", the six paragraphs starting "[Insert legal name of particular credit rating agency providing rating]" and the following paragraph starting "In general, European regulated investors are restricted from..." are deleted and replaced with the following:

*"Option 1 - CRA established in the EEA and registered under the EU CRA Regulation and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation*

[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [As of the date of these Final Terms, [•] appears on the list of registered credit rating agencies on the ESMA website [www.esma.europa.eu](http://www.esma.europa.eu)]. [The rating [•] has given to the Notes is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal)

Act 2018] (the "**UK CRA Regulation**").] / [•] has been certified under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**").] / [•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

*Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation*

[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority/European Securities and Markets Authority]. [As of the date of these Final Terms, [•] appears on the list of registered credit rating agencies on the ESMA website [www.esma.europa.eu](http://www.esma.europa.eu)]. [The rating [•] has given to the Notes is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**").] / [•] has been certified under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**").] / [•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

*Option 3 - CRA established in the EEA, not registered under the EU CRA Regulation and not applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation*

[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [As of the date of these Final Terms, [•] appears on the list of registered credit rating agencies on the ESMA website [www.esma.europa.eu](http://www.esma.europa.eu)]. [The rating [•] has given to the Notes is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**").] / [•] has been certified under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**").] / [•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

*Option 4 - CRA established in the UK and registered under the UK CRA Regulation and details of whether rating is endorsed by a credit rating agency established and registered in the EEA or certified under the EU CRA Regulation*

[•] is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**"). As of the date of these Final Terms, [•] appears on the list of registered credit rating agencies on the FCA website [www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras](http://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras). [The rating [•] has given to the Notes to be issued under the Programme is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").] [•] has been certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").] [•] has not been certified under Regulation (EU) No 1060/2009, as amended as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation.]

*Option 5 - CRA not established in the EEA or the UK but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation (EU) AND/OR under the UK CRA Regulation*

[•] is not established in the EEA or the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") [and] [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018].

*Option 6 - CRA not established in the EEA or the UK and relevant rating is not endorsed under the CRA Regulation (EU) or the UK CRA Regulation but CRA is certified under the CRA Regulation (EU) AND/OR under the UK CRA Regulation*

[•] is not established in the EEA or the UK but is certified under Regulation (EU) No 1060/2009, as amended [(the "**EU CRA Regulation**") [and] [ Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018].

*Option 7 - CRA neither established in the EEA or the UK nor certified under the EU CRA Regulation or the UK CRA Regulation and relevant rating is not endorsed under the EU CRA Regulation or the UK CRA Regulation*

[•] is not established in the EEA or the UK and is not certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") or Regulation (EU) No 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the [EUWA / European Union (Withdrawal) Act 2018] (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in either the EEA and registered under the EU CRA Regulation or in the UK and registered under the UK CRA Regulation.

#### *End of options*

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation."

9. In Part B, in the sub-sections "*Floating Rate Notes – Historic Interest Rates*" and "*Benchmarks*", references to "SOFR" shall be deleted and replaced with references to "SOFR [Index]".

#### **AMENDMENTS TO THE "*SELLING RESTRICTIONS*" SECTION**

In the "*Selling Restrictions*" section on pages 207-216 inclusive of the Base Prospectus/Base Listing Particulars:

1. The entirety of the selling restriction titled "*Prohibition of Sales to EEA and UK Retail Investors*" is deleted and replaced with the following:

##### **"PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

If the applicable Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Applicable" and includes a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (f) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (g) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes."

2. The entirety of the selling restriction titled "*Public Offer Selling Restriction under the Prospectus Regulation*" is deleted and replaced with the following:

**"PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION**

If the applicable Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the EEA, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that member state except that it may make an offer of such Notes to the public in that member state:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that member state (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another member state and notified to the competent authority in that member state, ***provided that*** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

***provided that*** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes."

3. The following are inserted immediately after the selling restriction titled "*Public Offer Selling Restriction under the Prospectus Regulation*":

**"PROHIBITION OF SALES TO UK RETAIL INVESTORS**

If the applicable Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail

Investors" as "Applicable" and includes a legend entitled "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available such Notes to any retail investor in the UK. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of such Notes to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the FCA, or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, *provided that* any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA,

*provided that* no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA."

## AMENDMENTS TO THE "*GENERAL INFORMATION*" SECTION

1. Paragraphs 4 and 5 in the "*General Information*" section on page 231 of the Base Prospectus/Base Listing Particulars are deleted and the following are inserted:

"4. Save as disclosed in the "*Description of UBS AG*" section in this Base Prospectus/Base Listing Particulars, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG's and/or UBS AG Group's financial position or profitability, are or have been pending during the last 12 months until the date of this Base Prospectus/Base Listing Particulars.

5. There has been no significant change in the financial or trading position or financial performance of UBS AG or UBS AG Group since 31 December 2020, which is the end of the last financial period for which financial information has been published.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2019."

2. Paragraph 8 in the "*General Information*" section on page 231 of the Base Prospectus/Base Listing Particulars is amended to also include the following items (and the numbering of the subsequent subparagraphs in Paragraph 8 shall be updated accordingly):

"(vi) the UBS Group Third Quarter 2020 Report and UBS AG Third Quarter 2020 Report;

(vii) the Fourth Quarter 2020 Report;"